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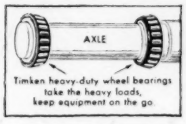

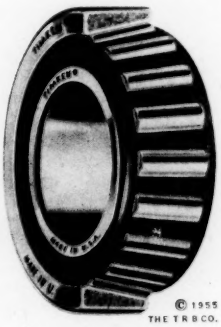

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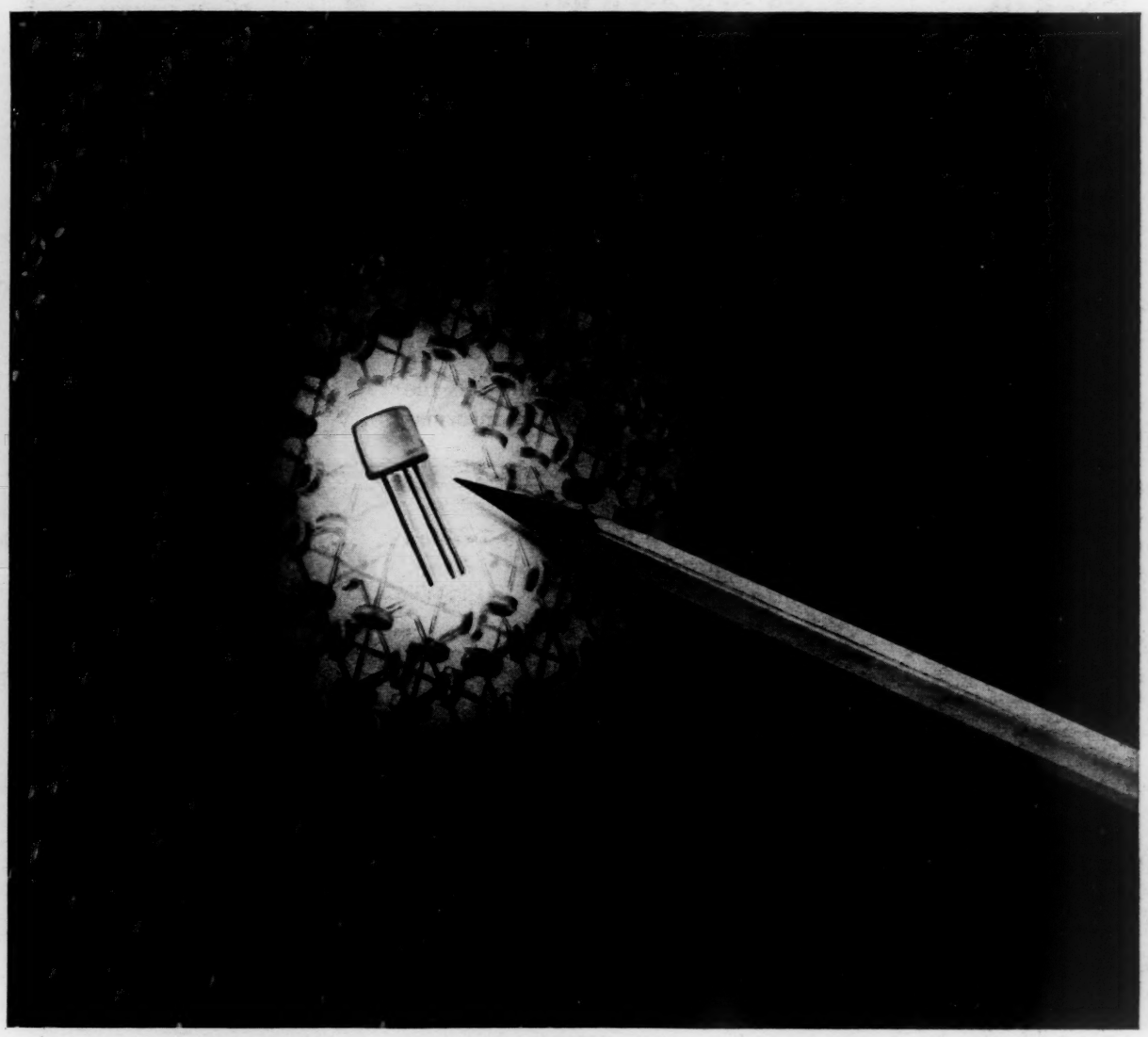

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★ Why Mrs. Eisenhower Is Canceling Appointments

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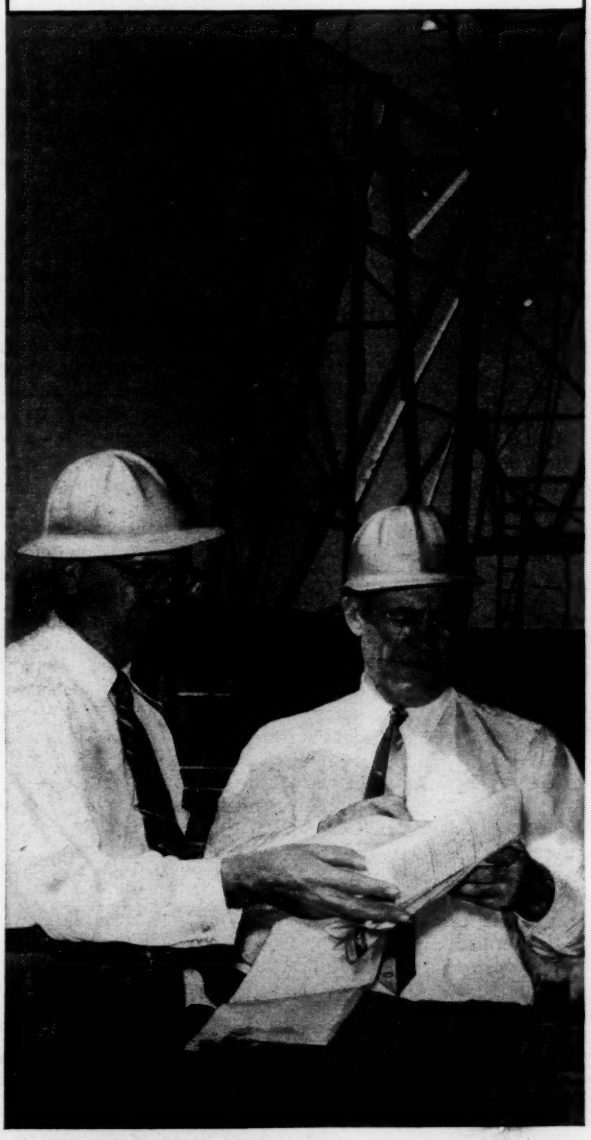
Does your banker understand an electric log?



THEY might be nothing but jagged lines on a long piece of paper to most of **us.** But to the man on the left, the readings on that electric log indicate how much "effective pay"—how much oil-producing potential—is buried thousands of feet below the surface of the sea.

No, he's not a geologist nor a petroleum engineer. He's a loaning officer from The First National Bank of Chicago!

Nevertheless, oil is this banker's business—and has been for some 20 years. He and the other officers of our Division I *specialize* in financing all phases of the petroleum industry including production, refining, gasoline plants, transportation and marketing. They get out in the oil fields and on the off-shore drilling barges—they talk with the engineers, the tool-pushers and the "roughnecks." As a result, their knowledge is specific, up-to-date and firsthand.

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BOMBPROOF HOMES?

CHANCES OF SURVIVAL in an atomic attack may hinge on the type of house you live in, tests on the Nevada desert indicate. Ten typical American houses were subjected to an A-blast nearly twice as powerful as Hiroshima's.

A mile from the burst, two frame houses were blown to bits. But a concrete bathroom shelter costing $500 in one of the houses came through intact enough to save lives. Mannikins in a two-story brick and cinder-block house were "killed."

Less than a mile from ground zero, houses of concrete or reinforced-block design were not badly damaged. Civil-Defense officials concluded that survival within 1¼ miles of an explosion depends upon what type of structure a person is in. Outside that range, modest shelter precautions should suffice.

"SIGNS" OF PEACE

LOOKING AROUND the world, Secretary of State John Foster Dulles saw "small but perhaps significant signs" that the Communists may be moving toward peace. The Soviet attitude toward Austria, he noted, "may be indicative of a change of mood which may extend to other areas."

Testifying before the Senate Foreign Relations Committee, Mr. Dulles warned against a letdown in the free world. "It would be a great mistake to relax our mutual-security efforts just as they seem to be bearing the desired fruits," he said. The Secretary was supporting the new bill for 3.5 billions of foreign aid.

GERMAN SOVEREIGNTY

THERE WAS NO DANCING in the streets as West Germany became a sovereign nation. Officially ended was 10 years of "occupation," although 450,000 foreign troops would remain in West Germany under North Atlantic Treaty Organization agreements.

Plans for torchlight parades and ringing church bells were canceled by the Christian Democrats when they ran into stony opposition from politicians of other parties. Many Germans felt a celebration could wait until East Germany, too, was a part of the new Republic.

This was a day of triumph for 79-year-old Chancellor Konrad Adenauer, but the untiring statesman was affronted by his own Parliament. Socialist deputies, 151 strong, were bitter over the tie-in with NATO. They threatened to walk out if Mr. Adenauer personally announced the grant of sovereignty. So the Chancellor was forced to send a written message to Parliament.

AUSTRIAN TREATY

ONCE THE RUSSIANS made up their minds, the knotty problems standing in the way of an Austrian treaty started melting away. Over a nine-year period, Westerners had met with Soviet diplomats hundreds of times, without results.

Now, in Vienna, the Russians were ready to talk business. In a few sessions with American, British, French and Austrian diplomats, they yielded to most key demands of the West.

Unlike their German neighbors, the Austrians were jubilant. Once the treaty is signed, all foreign troops, including the Soviets, will march out of their country within 90 days.

SLOW START TO '56?

DISSIDENT DEMOCRATS split off in all directions when party chairman Paul M. Butler called a two-day meeting of Democratic Governors in Washington. The meeting followed the annual White House conference of Governors from both parties. Mr. Butler asked Democrats to stay behind and map out strategy for next year's presidential elections.

Ten Democratic Governors packed up and went home instead. Ohio's Governor Frank Lausche said: "I do not contemplate joining a political meeting to figure out ways and means of defeating the man who has just been my host [Mr. Eisenhower]."

Among the 16 Governors who stayed for the party conference was Allan Shivers, of Texas, another 1952 Ike backer. But he announced that he would not support Adlai Stevenson as a presidential nominee in 1956. And he extracted a promise from Chairman Butler that no "loyalty oaths" would be required of delegates to the Democratic National Convention.

INVESTING "ABROAD"

SOMETHING DIFFERENT in foreign investments cropped up in the news. The firm doing the investing was Daimler-Benz, a German automotive concern. And the "foreign nation" they chose to invest in was the United States.

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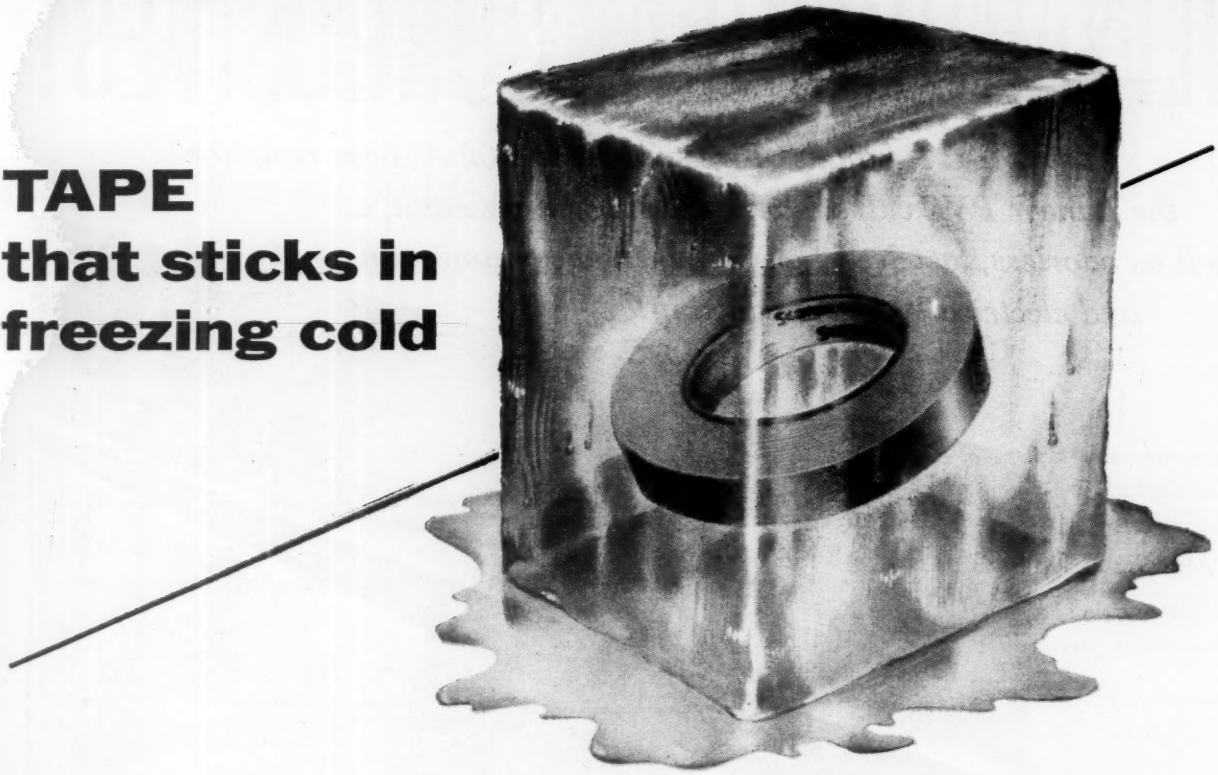

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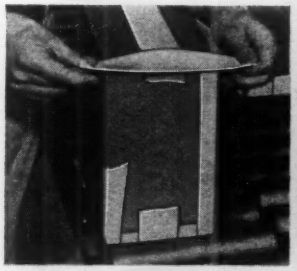

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FROM THE NATION'S CAPITAL

Tomorrow®

A LOOK AHEAD

Newsgram®

24th and N Streets, N.W.
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The idea of a "new era" is to take hold more and more in months ahead.

Optimism will become contagious. Worries will fade. All, probably, will seem well, with little of anything really wrong.

War already is fading as a matter of concern. Recession is out of the public mind. Russia no longer is a bogy. World troubles seem remote.

People never had it so good, and they expect things to get better.

Everywhere there is an urge for things new, disdain for the old.

New houses, with latest gadgets, are snapped up. Old houses, often, go begging, even at prices that seem a sacrifice. New cars never before sold so well. Highest-priced models, with the most extras, appear in most demand.

Older household equipment is scrapped for new, discarded long before its useful life is up. People appear to want only the latest. Bright color, new design have potent appeal, more than almost anyone had imagined.

There's not much worry about credit inflation underwriting it all.

People owe 23 billion dollars on the late-model goods they're sporting. That's a record amount. They have nearly 10 per cent of their income, after taxes, tied up in paying off this debt. Yet they borrow more and more.

Loans on houses are up to 72 billions and rising quite fast.

Inflation of mortgage and installment credit never was so high. It's at a point where one dollar in five of family income, after taxes, is tied up just to meet fixed charges on debt, let alone taxes and insurance.

The "new era" is feeding itself on credit inflation.

Something to worry about? The Government's planners say not, at least not now. Can it go on forever? Some people seem to think so, but odds are against it. What will be danger signs? Maybe a growing backlog of unsold houses. Maybe a backlog of cars that may be hard to sell. Or, even before that, maybe moves by Government to make credit less easy to get.

What then? If people can't get what they want for nothing down and a very long time to pay, they may be forced to use things longer. If they are slower to discard the old and take on the new, demands will slow.

Remember this: Government has moved twice to limit credit use in the buying of stocks, even though credit inflation in that field is very modest compared with the inflation of installment and mortgage credit.

Any sign of an end to the "new era" this year? No. Things are rolling strongly and smoothly now. Record prosperity seems underwritten for a year at

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least. What about 1956? All seem agreed that it looks good to spring or summer. There is beginning to be some questioning after that.

Why not prosperity forever? It's a matter of human nature. People tend to overdo a good thing. There usually is a tendency to try to get rich too quick, to speculate too much, to get overextended so that little troubles turn into big troubles and "corrections" then are needed.

Right now everything appears to be rosy.

Attitudes of people toward spending and debt are influenced by things that have happened, by changes that have come in recent years.

Trouble warnings have gone up at least three times since World War II. Yet nothing much happened. There's been no serious recession. Hard times last were experienced in New Deal days, 16 years ago.

Old people now get pensions. Unemployed get insurance. There are Social Security checks for widows, for dependent children, too. Farmers are protected against price collapses. Bank depositors have deposits insured.

Some of the worries of the past are relieved. Result: People seem to be more inclined to spend freely, to go into debt to get what they want, to take chances that they would not have taken in times past.

War talk, built up a while back, is played down now.

War is not in the air. Peace, or at least truce, is in the air.

Talk, temporarily at least, seems more attractive than gunpowder.

Communist Chinese, all along, have been much overrated. Russians have been, as well. Communist countries are in very bad shape at home. They're the ones with really big depressions. Non-Communist countries are well off, almost all of them prosperous, with living standards on the rise.

Polio vaccine was somewhat oversold. Polio isn't to be wiped out at one swoop. Vaccination, however, quite probably will lower the incidence of this disease materially in the year ahead. It will be improved in future years; will be handled more carefully, less on a promotion basis.

Shortage of college graduates will continue in years just ahead.

Colleges in 1955 will graduate 324,800. Women make up about 100,000 of these. Draft and ROTC will draw an important share of the men into service. Male graduates, not subject to draft for one reason or another, are estimated to number only about 70,000. Employers, as a result, are tending to hire the new graduates even if likely to lose them to the services rather soon.

Demand for well-educated youths is to continue high.

Price supports for farmers at 90 per cent of parity are not to be voted back. Senate will block, or, if the Senate does not, a veto will.

Presidents, past and present, are to be voted a $22,500 annual pension. Hoover and Truman, as well as Eisenhower, will benefit.

Odds still are that Eisenhower will bow to a draft in 1956. Ike's age, not Mrs. Eisenhower's health, will be a restraint if anything is. If the President is drafted and serves out a second term, he will be 70 when he retires. Ike has wanted a more quiet life before reaching that age.

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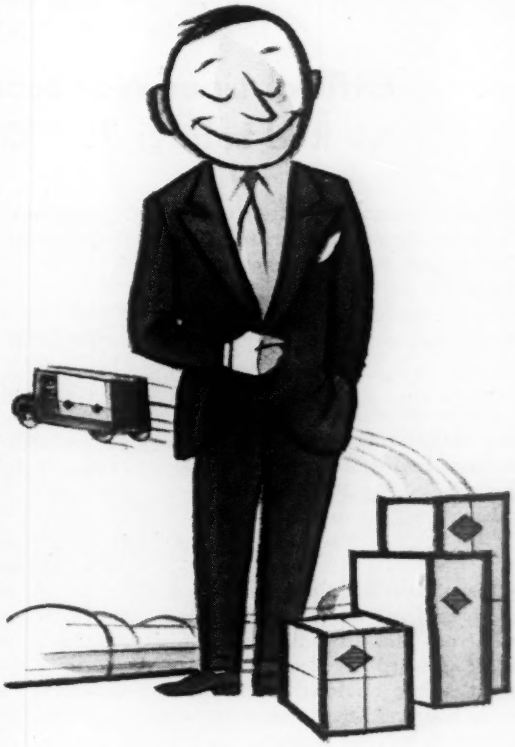
While time ran out he used to wait
For shipments that would come too late . . .



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Washington Whispers®

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Official Line: War Scare Fades . . . "City" Farmers Irk Red Leader . . . "Go Easy" Policy on Tariff Cuts?

President Eisenhower's letters to Russia's Georgi Zhukov are written, down to the little personal touches, by the Department of State. The letters, as well as the replies, are gone over carefully by policy experts.

★ ★ ★

Ike broke 80 in his golf game with Prime Minister P. Pibulsonggram, of Thailand, beating the visitor by several strokes. The President, of late, has been playing in top form.

★ ★ ★

Mr. Eisenhower is going to sit out all of the pressures from party politicians to get from him an indication of his attitude toward a second nomination. It seems obvious to the politicians, however, that the President definitely is keeping the door open to a draft.

★ ★ ★

Governor Goodwin Knight of California appears to be getting the important delegation from that State sewed up under his control. If Eisenhower Republicans in California want to try hard for this delegation, they must have Ike's consent before election of delegates. Unless Eisenhower declares himself, Mr. Knight is expected to be the one getting the delegation.

★ ★ ★

White House aides say that Mr. Eisenhower's televised news conferences are building the same kind of favorable reaction from the people that the late President Roosevelt's fireside chats developed.

★ ★ ★

The new official line on war is that there isn't going to be any. Where top U. S. military officials were setting an April 15 deadline for war to start, they now explain that, since the Chinese Communists could not gain much by fighting anyway, they probably will forget about it.

★ ★ ★

There has been a steady but quiet build-up of U. S. military power in the Western Pacific to assure that any attack by Chinese Communists on Formosa could be met with overwhelming air and naval power. News of this fact has quietly leaked to the Communists.

★ ★ ★

John Foster Dulles, Secretary of State, is giving thought to calling a Big Four meeting on U. S. initiative to offer a plan for unification of Germany. The idea is dawning that maybe now is the time for this country to get on the offensive in the field of foreign policy instead of waiting for the Communists to come up with all of the ideas.

★ ★ ★

Complaint is heard from some Republican Senators that individuals who are associated with the so-called "conservative" wing of their party are getting only small representation at the President's stag dinners. They say that the guest lists are heavily sprinkled with Democrats and with so-called "liberal" Republicans.

★ ★ ★

White House aides made many promises to individual Senators on the way tariff-cutting powers would or would not be used, before the Senate voted to extend these powers. Spokesmen assured many a member of Congress that the product of his State would not be jeopardized and that passage of the measure was largely a gesture to countries abroad.

★ ★ ★

George Humphrey, Secretary of the Treasury, is continuing to insist that Sections 452 and 462 of the Revenue Act be repealed entirely, instead of being amended. These sections, related to accounting practices of corporations, were criticized by the Democrats, and Mr. Humphrey is said to feel that the Treasury should not support them in any form.

★ ★ ★

The final A-bomb tests in Nevada were delayed until winds would carry radioactive clouds away from some communities that already had about as much radioactivity as Atomic Energy Commission standards allow.

★ ★ ★

Many members of Congress are shying away from any part of the polio-vaccine issue, with the reasoning that no political good can come to them, any way the problem develops.

★ ★ ★

A story was brought back to Washington from the conference in Bandung, Indonesia, that Arab countries at that meeting raised between 15 and 20 million dollars with which to buy arms to use in the growing resistance to French rule in North Africa.

★ ★ ★

Nikita Khrushchev, one of Russia's strong men, is trying to crack down on farm managers who insist upon living in the city and commuting to their jobs of trying to run Russia's collective farms. Farm managers are being told that they will have to move back to the land.

★ ★ ★

Premier Ngo Dinh Diem, U. S.-backed head of the Vietnam Government, insists upon letting nobody out of the country whose exit visa he has not approved personally. The Premier has been touchy on the subject of travel abroad ever since an official of his Government absconded with all of the funds from a provincial treasury.

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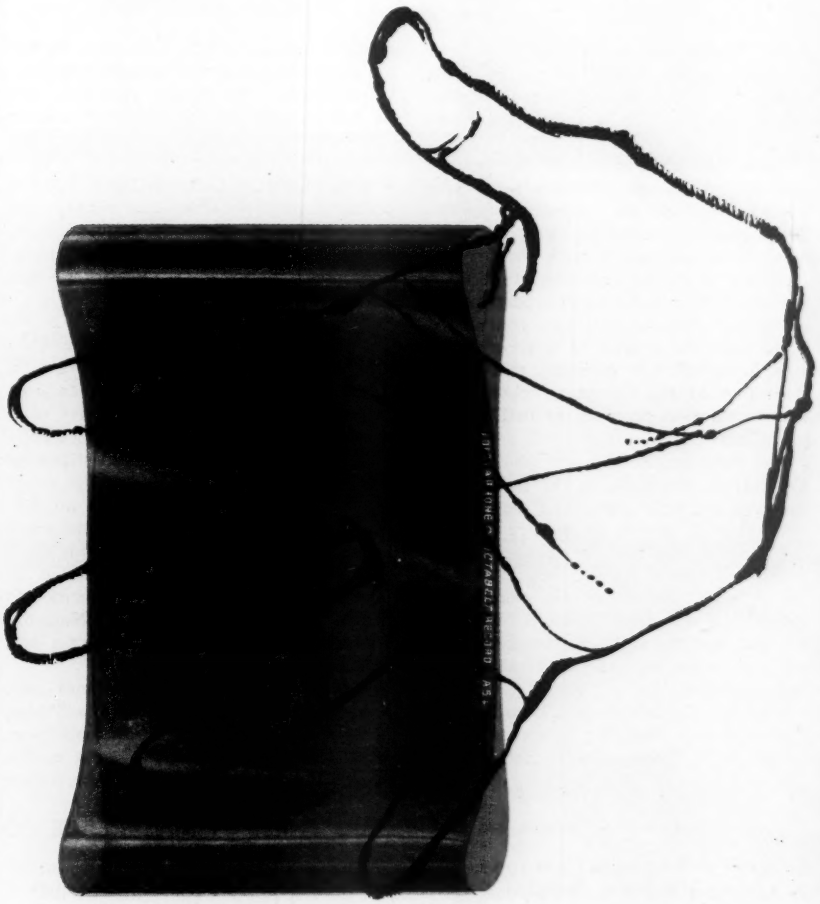

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PEOPLE ★ ★ ★

OF THE WEEK

DR. LEONARD A. SCHEELE has the immense responsibility of deciding big questions about inoculating American children with Salk vaccine for poliomyelitis.

Less than a month ago, the vaccine was hailed as an effective preventive weapon against the crippling disease. Then children began to get polio soon after being inoculated with the product from one of the six pharmaceutical firms manufacturing it. At latest reports, a few inoculated children still were contracting polio, and the output of a second firm was involved. The question raised was this: Should the nation go ahead with the vaccination program or call a complete halt?

Dr. Scheele, in his job as Surgeon General of the U.S., is the public official with the task of deciding the medical and scientific merits or dangers of using the vaccine. So far, he is urging that people go ahead, let their children have the "shots." He backs his words with deeds. His own son, Leonard, was vaccinated, and, he says, his daughters also will be when vaccine is available for older children.

Now 47, Dr. Scheele has been Surgeon General since 1948. He is a career man in the U.S. Public Health Service, has placed the emphasis of his office on medical research. His specialty, before his appointment to the present administrative post, was cancer research, and he was director of the National Cancer Institute.

MRS. OVETA CULP HOBBY is in a political hot spot over the supply and distribution of the Salk polio vaccine. Her responsibility, as a Cabinet member, covers the fields of health, education and welfare.

As a scramble developed for the available supplies of the vaccine, demands for federal controls over its distribution began to be heard. There was talk of "black market" developments and of a few doctors who began inoculating adults while polio-vulnerable children still were unvaccinated.

Mrs. Hobby is a member of an Administration pledged to restrict and avoid Government controls of any kind wherever feasible. Her first decision was to leave distribution of the vaccine to States, to manufacturers, to the National Foundation for Infantile Paralysis and other private bodies.

Yet the issue is an emotional one, loaded with political trouble if anything goes wrong. As an experienced politician, Mrs. Hobby can read the signs easily, knows that whatever decision she makes might be attacked. Her present inclination is to consult experts, defer to the White House for decision.

BIGGEST STEELMAKER, in his new job as chairman of the board and chief executive officer of United States Steel Corporation, is **Roger M. Blough.**

The firm he now runs is the giant among the world's steel companies. Production capacity of U.S. Steel is nearly double that of all companies in Great Britain. Total steel production in Soviet Russia, despite its heavy industry program, outstrips this single American firm only moderately.

As Mr. Blough took over from Benjamin F. Fairless last week, company figures showed 1955 operations running at a rate of 3.5 billion dollars a year in sales. Wages and salaries are being paid at the rate of 1.4 billion, U.S. income tax at 300 million, dividends at 132 million a year.

The new head man of U.S. Steel arrived at the top of the company via the legal profession. A farmer's son, he took a degree at Susquehanna College, in Pennsylvania, then taught school for three years, saving money to attend Yale Law School, from which he was graduated in 1931. His first connection

(Continued on page 16)

IKE'S "BIG THREE" PLANS PEACE POLICIES

THREE MEN, installed recently as top advisers in the White House, are playing big roles in developing U.S. policies for peace—policies that no longer are being left almost solely to the State Department's experts.

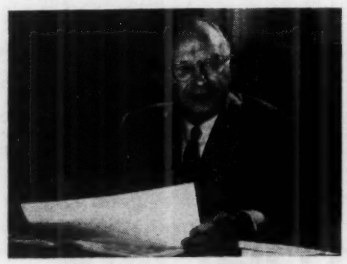
Joseph M. Dodge, a Detroit banker, is charting foreign economic moves that go beyond aid, get into world politics and security.

Nelson A. Rockefeller is a special assistant on foreign policy and psychological warfare, with the task of trying to keep all departments of Government pulling in the same direction.

Harold E. Stassen, newest appointee, is charged with knitting together disarmament plans.

All three appointments have been made in the last five months, since the resignation, as Under Secretary of State, of Walter Bedell Smith, close friend of President Eisenhower and regarded, while he held office, as the President's closest diplomatic liaison man.

Emphasis of these advisers is on peace. They are "idea men." Their influence already is showing up in peace moves, and the impact of their thinking is meant to increase.

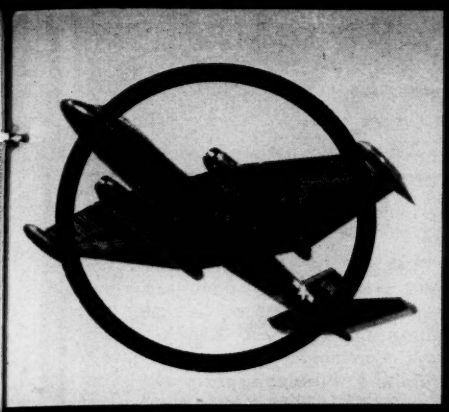


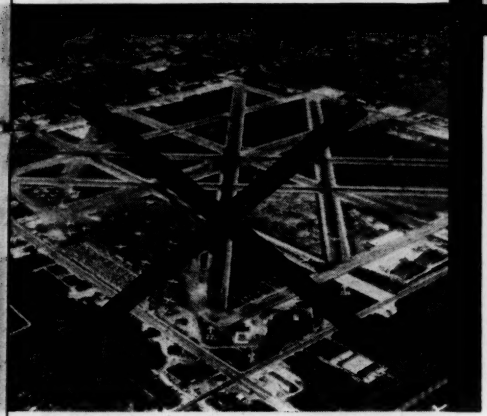
JOSEPH M. DODGE

HAROLD E. STASSEN

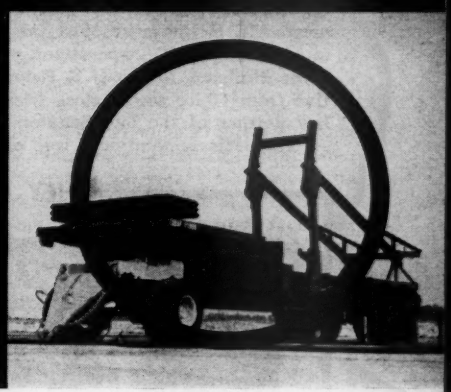
–Harris & Ewing, Camera Associates

NELSON A. ROCKEFELLER





tic 'tac' toe!



In the event of surprise attack, today's new and more powerful USAF Tactical Air Command can now carry war to the enemy anywhere in the world—around the clock and in any weather.

Here at a glance are some of the elements that might be used in such an attack and which are contributing to Tac Air's new mobility and striking power.

In modern warfare, major fixed bases are certain to become targets for initial enemy action. The Martin zero-length launcher makes possible swift mobility and advance-area operation of the TM-61 Matador tactical missile and—if need be—of piloted jet fighters.

In addition, new versions of U.S. Air Force's B-57 bomber, a major tactical weapon, are now being developed for service.

And for tomorrow's Tactical Air Command arsenal, new and more powerful Martin weapons systems are on the way.

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CONTINUED

with U. S. Steel was in 1939-40; he was associate counsel for the company during a Government investigation of the steel industry. His permanent connection began in 1942, when he was chosen to supervise all legal matters for a U. S. Steel subsidiary. He is 51, has been executive vice president since 1951.

› **AN ECONOMIZER** in government is to be given the job of reorganizing the U. S. program of aid to foreign nations. What President Eisenhower wants **John B. Hollister** to do is to turn foreign aid from a year-to-year operation into a "continuing and integral" part of long-range international policy.

To this end, the new International Cooperation Administration that Mr. Hollister will head is to be placed under the State Department, instead of being an independent agency like the Foreign Operations Administration that ICA replaces. As Executive Director of the Hoover Commission on Organization of the Executive Branch of the Government, Mr. Hollister has just taken part in a survey of FOA operations.

Mr. Hollister, former U. S. Representative from Ohio, was a close friend and law partner of the late Senator Robert A. Taft. His appointment was expected to swing over some Republican Senators who have been opposing President Eisenhower's 3.5-billion-dollar foreign-aid program.

› **SENATOR JOHN J. WILLIAMS,** a Delaware Republican, made a national reputation by exposing tax scandals during the Truman Administration. Last week, he disclosed that he is still on the trail, but, in the course of his Senate speech, he showed how he gets information.

In 1953, the Senator said, a woman receptionist in the Pittsburgh office of the Internal Revenue Bureau gave him confidential information. With the papers she passed to him, he set off investigations that resulted in "several indictments and convictions."

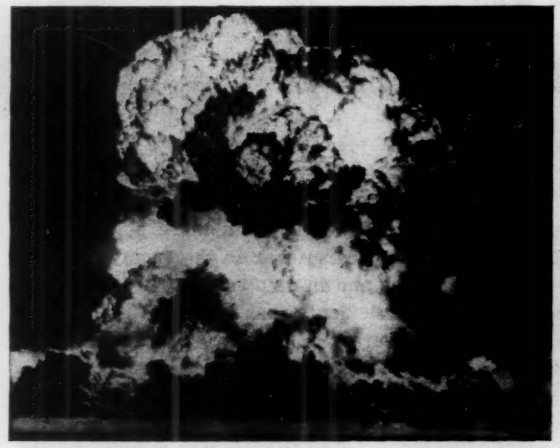
Now he is pursuing officials who, he contends, mistreated his informant. She was fired. He got her job back for her. Then she quit. He had to intervene again so she would get a refund of her retirement-fund payments. Now, he says, she is marked in Civil Service files so she never can get another Government job. She wants her record cleared. The dogged Senator from Delaware is out to accomplish that, too. It is a subject you may hear more about before Mr. Williams is finished with it.

› **PREMIER OF THAILAND,** whose smile and graceful gestures camouflage unusual toughness and political realism, came calling on President Eisenhower last week. Ceremonial dinners were laid for **Premier P. Pibulsonggram** and he even scored a "first" for visiting statesmen by playing golf with the President.

Behind all the pleasantries, the Premier was laying on the line his views of what may happen in the future in Southeast Asia. Communist China, he thinks, is just biding its time but already has designs on rice-growing Thailand. His Army of 100,000 men guards the borders and is deployed behind them. He thinks there will be another war someday, but makes no predictions on when it may come, where it might start. He says he will fight on the U. S. side.

At 57, the Premier has been in the thick of revolution and political intrigue for 23 years. He joined in a coup to take over the Government in 1932, became Premier six years later, laid down a program of aggressive nationalism. In World War II, his Government accepted Japan's orbit but, despite this war record, he became Premier again in 1948. As a strong man, he has to be on constant watch against coups like the two unsuccessful efforts to overthrow him in 1951.

THEY CAME, THEY STAYED, THEY SAW, THEY SHUDDERED

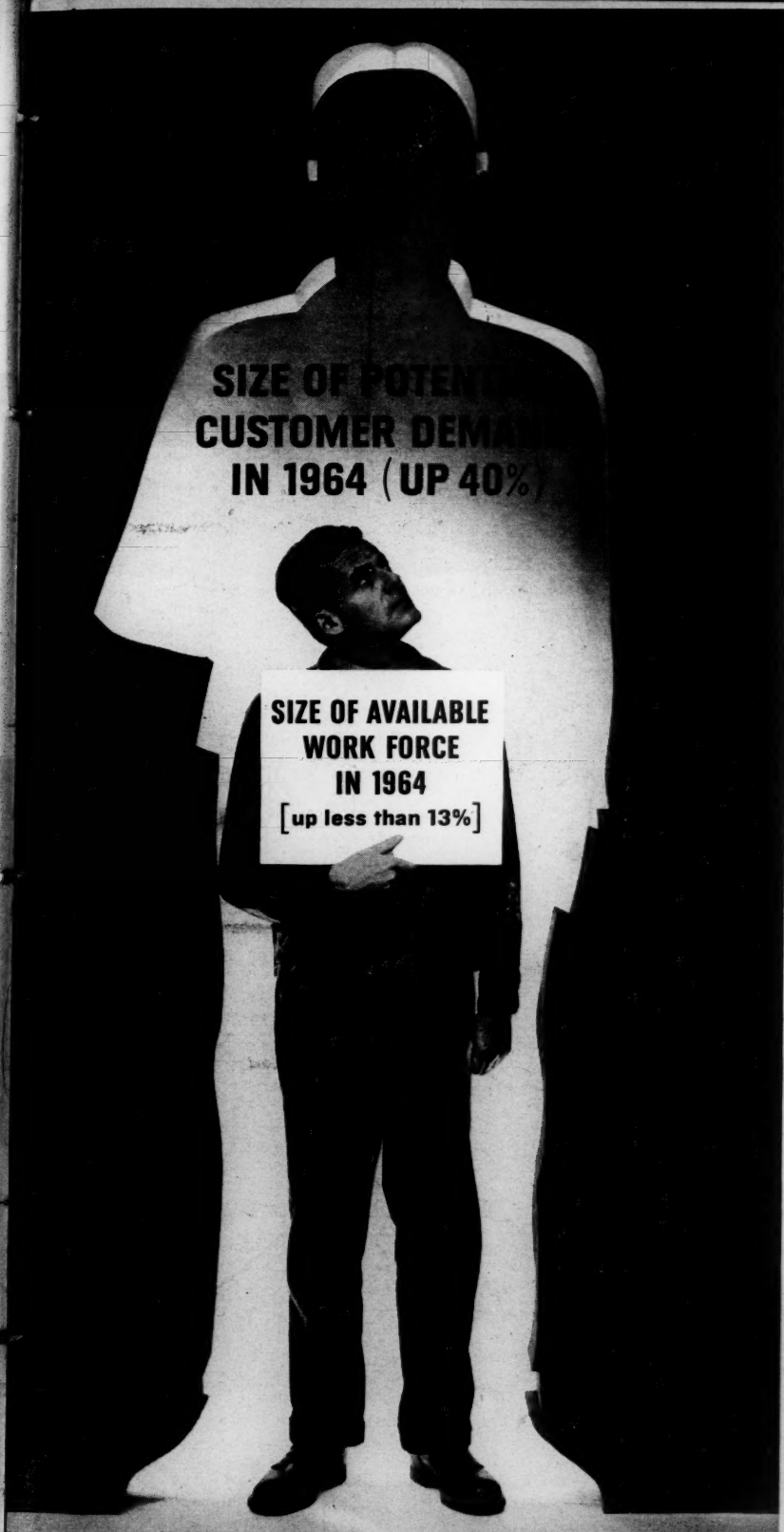


–United Press photos

› **BOMB WATCHERS,** bundled against the chill of a mountain dawn, finally saw the atomic-bomb explosion they had waited for through 10 days of postponements.

Nearly half of the observers, including Governors of many States, had gone home, unable to wait out zero hour. A few Civil Defense volunteers, including six women, huddled in trenches only 2 miles from the bomb blast. Most observers sat on a hillside 7½ miles from the explosion.

The bomb flash, seen for 500 miles, caught the intent observers on the hill, and their picture—above right—was snapped in the brighter-than-sunlight glare with an exposure of only 1/500 second. Taken from the same point is the picture of the fireball they saw—but, in their awe, could find few words to describe.



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Automation will help U.S. work force fill a need for 40% more goods

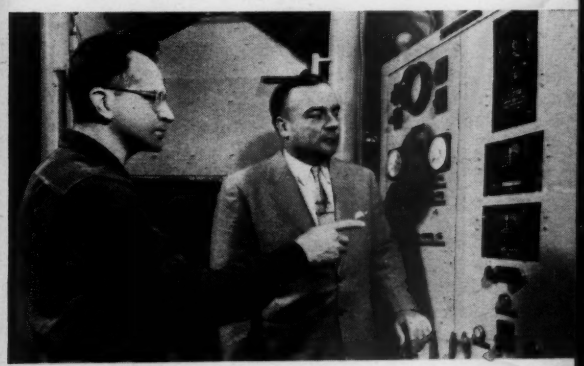
In the next nine years, the demand for goods will grow faster than the number of people available to produce them

In 1964, one of the greatest shortages in the United States may be man power. Our most conservative estimates indicate 184 million Americans will want 40% more goods than we consume today, and they may demand 100% more electrical products; yet the work force available to produce the goods will increase less than 13%.

In our opinion, automation is the most practical and desirable solution to this shortage of labor. If our standard of living is to keep rising the way it has been, machines will have to be put to work where none now exist — new, more versatile machines will have to be built.

For working men and women, automation creates new jobs requiring more skill and judgment; it will give more human beings a chance to do creative work . . . work which machines cannot do. And, because automation promises more and better goods at lower cost, pay checks will buy more than ever before.

Automation has proved to be an evolutionary, not a revolutionary, process. It requires careful study and adjustment, and there are always short-range problems to solve. But using more machines is our best hope to meet the coming shortage of working people, and allow the available men and women to do a higher order of productive work. As we see it, this is progress in the American way.



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VOLUME XXXVIII—No. 19 U.S. News & World Report WASHINGTON, D. C.

TRUTH ABOUT THE POLIO SCARE

Fewer Cases, but Many Questions About Vaccine Unanswered

In all the excitement over Salk vaccine, certain facts are clear.

Salk shots, contrary to what many thought, promise no sudden, sure end to polio.

The vaccine itself may involve some risk.

Virus used in shots is supposed to be dead; official tests are under way to see if live virus got into some early batches of vaccine.

Polio, despite the scare, is not as widespread now as it was this time last year.

Mass inoculation of children is being held up in some places. National program will go on. Federal health officials are convinced the program is sound, the Salk formula safe.

The truth is turning out to be that Americans expected too much from the Salk vaccine against polio. People expected that polio suddenly would disappear. When the disease flared up, a scare followed.

Facts of the case are these:

- The Salk vaccine, on the basis of the most that is claimed for it, is only 90 per cent effective. At best, only 9 out of 10 children exposed to polio will be protected against paralysis by vaccination. One child out of 10 is expected to get little or no protection from the vaccine.
- Polio occurring so far among vaccinated children is less than the vaccine's protection rate would lead doctors to expect—except in the case of those children who got vaccine from one particular company.
- Some danger apparently lies in the possibility that live polio viruses might have survived in a few batches of vaccine prepared in the initial production program. Salk vaccine is supposed to contain only dead polio viruses.
- Possibility of live viruses developed first in the case of vaccine from one U. S. company, whose product has been withdrawn for study. In Sweden, live viruses turned up in vaccine prepared there, and that country canceled its vaccination plans.
- U. S. Public Health Service ordered a temporary halt in release of new batches of vaccine. New testing procedures were under consideration. Still, the official view of PHS was that the vaccine was basically safe, and vaccinations should proceed on schedule.

Three other points also are made by top health officials at this time—

- At least two injections of Salk vaccine may be needed to build protection against paralytic polio to the 90 per cent rate. So far, only one injection has been given in most cases.
- The Salk vaccine is not claimed to be permanently effective. Duration of its effectiveness in an individual is not known.
- Search for an improved vaccine continues.

—USN&WR Photo

SCHOOL CHILDREN GET FIRST SHOTS
One injection doesn't do the job

What officials are watching most closely in the polio situation, and their conclusions to date, are told in the summary which follows.

Vaccine's effect. Two sets of facts are being taken as highly suggestive indicators of what has happened to date among children given the Salk vaccine. Officials emphasize that data available this early in the vaccination program can only be straws in the wind, not conclusive evidence of permanent trends.

One set of facts concerns what happened in Idaho and Southern California in the first few days after vaccinations started.

In these two areas, vaccine produced by Cutter Laboratories of Berkeley, Calif., was used among school children vaccinated in the first round of the free inoculation program financed by the National Foundation for Infantile Paralysis.

In Idaho, 10 children came down with paralytic polio by May 3. No

polio cases were reported among other residents of the State in this period.

Dr. Carl Ecklund, of the Public Health Service Laboratory at Hamilton, Mont., told the Associated Press the record of polio cases in Idaho "points strongly to vaccine as the cause." In Washington, this was said to represent a personal opinion, and not the official view of the Public Health Service.

In California, 19 cases of polio occurred by May 3 among those vaccinated. In the same period only four cases were reported among nonvaccinated children.

Officials stress that these facts by themselves do not prove anything. The Idaho and Southern California outbreaks could be coincidences. Polio strikes in unpredictable ways.

Vaccine from the same company was widely used in Nevada, Arizona and Utah. Through May 3 there were no unusual polio occurrences reported in those States.

To be safe, however, all vaccine made by Cutter Laboratories was withdrawn for intensive study. Tests are being made to find out if any live viruses were present. Results of those tests will not be known probably, until late May or early June. It may be months before final medical evidence is in on the role played by the vaccine in the polio cases reported to date.

Meanwhile, officials are studying with equal interest the record to date among vaccinated children in areas other than Idaho and Southern California. In these other States, results show this picture:

- Approximately 3.8 million children were vaccinated in the last two weeks of April with Salk vaccine. Up to May 3, confirmed cases of paralytic polio among these children numbered 10. That indicated a rate of about one case per 380,000 children in the vaccinated group.
- By comparison, the indicated rate of polio among nonvaccinated children was slightly higher—about 1 case per 325,000 children, on the basis of official polio reports available up to May 3.
- The record on the vaccinated group also looks promising to officials, so far, when measured in another way. Virtually all vaccinated children were in the 5-to-9 age group. In 1954, the polio record for the year showed that, in this age group, polio struck 1 child out of 1,550.

Officials point out, in the light of these figures, that there can be a relatively large increase in amount of polio among vaccinated children before the danger reaches the level that could be expected on the basis of 1954 experience.

All told, up to May 3, there were 39 cases of polio among vaccinated children. Later, the Public Health Service raised that tentatively to 44. Among the whole population, polio cases so far in 1955, as shown by the table on page 22, have been fewer than they were a year earlier.

The Polio Picture—Rate Is Down This Year

	Cases in Period from January 1 to May 1	
	1954	1955
Alabama	42	10
Arizona	18	9
Arkansas	33	17
California	478	259
Colorado	16	17
Connecticut	9	3
Delaware	0	5
Dist. of Col.	2	0
Florida	169	151
Georgia	34	29
Idaho	12	21
Illinois	29	31
Indiana	14	11
Iowa	22	23
Kansas	22	22
Kentucky	26	32
Louisiana	40	45
Maine	2	3
Maryland	3	8
Massachusetts	22	8
Michigan	62	48
Minnesota	39	20
Mississippi	25	22
Missouri	17	13
Montana	37	12
Nebraska	9	16
Nevada	3	9
New Hampshire	5	3
New Jersey	14	24
New Mexico	7	3
New York	103	104
North Carolina	36	33
North Dakota	7	3
Ohio	96	34
Oklahoma	24	18
Oregon	30	31
Pennsylvania	52	38
Rhode Island	2	1
South Carolina	12	15
South Dakota	15	12
Tennessee	22	14
Texas	248	175
Utah	18	22
Vermont	1	11
Virginia	19	8
Washington	33	25
West Virginia	17	11
Wisconsin	22	17
Wyoming	8	6
TOTAL, U. S.	1,976	1,452
Alaska	46	7
Hawaii	111	8
Puerto Rico	16	339

Source: U. S. Public Health Service

Statistics available to date are taken as support for the belief that Salk vaccine when properly prepared is doing its job of protecting children against polio. That is why officials continue to plan for a second round of the vaccine injections, despite scares that have developed.

Safety of vaccine. At the same time, efforts are being redoubled to guarantee the safety of the vaccine that is released.

Before any Salk vaccine went out to the public, samples from each drug firm's output were thoroughly tested by the Government's Biologics Control Laboratory. After that, each firm was allowed to ship out its vaccine on the basis of "protocols," or detailed records of the manufacturing operation, including the company's own safety and purity tests.

That is the procedure followed on other medical products. As an additional safety measure in the case of the antipolio vaccine, the Biologics Control Laboratory continued to make its own test of at least one sample from each batch of vaccine produced by each firm. However, it was possible under the system for some vaccine to be shipped out for distribution before an actual sample had been tested by the Government Laboratory.

On the other hand, no shipment of vaccine went out until the "protocol," or record of its manufacture, had been examined by the Control Laboratory.

As proof of the tightness of this "screening" process, the Public Health Service has revealed that, as of May 5, it still had not released for public use 3.9 million cubic centimeters of vaccine, out of 14.8 million c.c.'s submitted for approval.

This vaccine was being held up, pending further proof that it meets the exacting safety standards, despite concern over availability of supplies.

Tighter testing. There are some indications, from comments made by various experts, that testing procedures may be tightened still further. One comment, for example, notes that the safety precautions taken in the manufacturing process now in use are not quite as detailed as those used in preparing the vaccine for the mass field trial of 1954.

Such points as these are controversial even among the scientists. But, as President Eisenhower indicated in a press conference, the whole question of how to make testing procedures accurate and safe is being explored by the Government's top medical scientists.

The vaccination program. In almost all cases of polio reported so far among vaccinated children, investigators find

(Continued on page 24)

What Caused the Excitement

Over Salk Polio Vaccine

THE CALIFORNIA STORY

175,000 children got Salk vaccine injections, starting April 16. By May 3, polio hit 19 — a rate of 1 case per 9,210 in vaccinated group. Pattern: paralysis in left arm, where injections were given. In same period, 4 cases of polio occurred among 3.7 million California children under age 20 who were not given vaccine — a rate of 1 case per 925,000.

THE IDAHO STORY

32,000 children got Salk vaccine, beginning April 18. By May 3, polio hit 10 of these children. Two died. In all cases, paralysis began at site of injection. No other cases of polio, among children or adults, were reported in Idaho during this period.

THE STORY IN OTHER STATES

3.8 million children were vaccinated against polio in last two weeks of April. Ten got polio by May 3 — a rate of 1 case per 380,000 in the vaccinated group. Among 47.5 million other children under age 20, not vaccinated, there were an estimated 146 cases of polio — indicating a rate of 1 case per 325,000 in nonvaccinated children.

BUT

- **Of 39 vaccinated children who got polio, 33 received vaccine from one laboratory. Its product was withdrawn for study.**
- **Among children getting vaccine from five other laboratories, polio rate was lower up to May 3 than expected. Salk vaccine is only 90 per cent effective at best.**
- **Most cases of polio among vaccinated children showed up within 9 days of injections. Usually, polio strikes two weeks to 30 days after exposure to viruses.**

U. S. Public Health Service, U. S. Census Bureau, State Health Authorities

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Is Salk Vaccine Safe? What Mr. Eisenhower Says

Following are extracts, authorized for direct quotation, from the President's remarks at a press conference on May 4, 1955:

"There has been suspected on the part of the scientists a reaction or a development that you might call the provocative effect of this vaccine.

"You or I or a little child, which would be important, might have latent polio germs in his system, or virus. And in normal cases might pass through this area or this period with no reason or no serious effects. He would have a few slight symptoms, but it would amount to nothing more.

"Now, the actual puncture of the skin with this, to give this shot might, it is just—and they have not proved this—but it is just possible that it might cause some trouble.

"All of these things are being studied by our scientists daily, almost on a 24-hour basis, and with all of the scientists we can mobilize to it to make certain as we proceed that the one thing that we must be careful of is that we are saving lives on a wholesale basis is achieved."

The President was asked if the doctors still considered it wise to go ahead with the national program of inoculations. His reply:

"In a general case, yes.

"Now, they are checking up on a number of things. For example, when the time of highest incidence, when apparently these germs are everywhere, each of us may have some of them.

"It may be that they will decide there is a certain period of this year when they shouldn't give this [vaccine] at all. It's all—remember this: Never has there been such a rush job as this done, and scientists are watching it day and night. And I think I can comment no further on the strictly medical possibilities.

"But they are going ahead with the distribution under the present system."

that the paralysis involves the limb in which the inoculation was given.

Polio experts say that fact is not surprising. Experience of recent years suggests that a vaccinated limb is more susceptible to paralysis if polio sets in.

A related question is whether the vaccination process tends to make a person more susceptible to polio itself. It is officially admitted that there is some risk —especially during the polio season— that polio may follow a vaccination. How much risk is uncertain.

Another point that remains unclear is how long it takes for symptoms of polio to show up after an individual is exposed. Authorities say it could be that the vaccinated children who came down with the disease might already have had the virus multiplying in their bodies before the vaccine had a chance to build up protection.

A number of States and communities have ordered that further injections be held up. Some called a halt before the first shots had been given to all children as planned. Others, with first shots completed, postponed the second to await further assurances that the vaccine was safe.

The U. S. Public Health Service, ever since the scare began, has taken the view that the remainder of the vaccination program should continue as scheduled.

There is official concern that the Salk vaccine was oversold, that the public was led to expect too much of it. Polio is not to disappear immediately. Some cases might develop among children following their second injections. Federal health authorities remain convinced, however, that the program is sound, and that the protection offered by Salk vaccine outweighs any risks involved.

For latest reports on attempts to develop a lifetime-immunity vaccine, see page 25.

SAFETY TESTS ARE RUN AT THE POLIO-VACCINE LABORATORIES OF A DRUG FIRM
Testing procedures may be tightened still further

Better Polio Vaccine in Sight?

Tests Hold Out Hope for Lifetime Immunity

A vaccine that assures immunity for life is the next big goal in the fight against polio.

Salk vaccine, which has an uncertain duration of protection, is made from killed polio virus. New vaccine, which may be good for life, would be made from live virus.

Recent tests show promise. Live virus, given to 26 volunteers, started antibodies working, produced no symptoms of polio.

—Wide World

DR. ALBERT B. SABIN AND DR. JONAS SALK
. . . two approaches to polio problem

A new vaccine for polio—one that could be far better than the Salk vaccine now in use—is coming into sight.

The Salk vaccine, admittedly, offers limited protection, though its developer believes it can be improved over the 60 to 90 per cent effectiveness shown by the trials last summer. How long it protects is unknown; at best, perhaps, it may be only a few years.

Now indications are that a vaccine giving lifetime immunity may be on the way.

Unlike the Salk vaccine, which is made from dead polio virus, the new vaccine would use live virus. But it would be virus that had been tamed—weakened so it could no longer cause polio but still could trigger the body into setting up protective immunity.

Easy to give. The new vaccine, it now appears, might be given as a pill, or in a spoonful of liquid, or by a few simple scratches on the arm.

The use of a tamed-virus vaccine is a long-established medical principle. Once-dreaded smallpox and yellow fever were conquered years ago in this way. In animals, too, a number of diseases have been brought under control by this principle. But, until the Salk development, no killed-virus vaccine had ever been used successfully against human disease.

Medical opinion is divided on whether a killed or live polio virus will give the best immunity. In Great Britain, the leaning is toward a live virus, and the Government's medical-research council has announced it is holding off on an earlier plan to give Salk vaccine to British children. In the U. S., where the Salk vaccine is causing some concern, feverish efforts are being put into development of a tamed-virus vaccine.

The U. S. Public Health Service center in Montgomery, Ala., has a start on a tamed virus which may produce immunity with a skin vaccination, similar to that for smallpox. A team at Lederle Laboratories at Pearl River, N. Y., has been successful in growing a strain of polio virus in chick embryos; this could mean a more readily available source—and also a safer live virus, one less likely to change back to a harmful strain.

Human volunteers. Now a new report reveals that solutions containing live polio virus have been tried out in humans.

The report was made by Dr. Albert B. Sabin, director of the Children's Hospital Research Foundation at the University of Cincinnati College of Medicine. He revealed that the volunteers—26 young federal-reformatory inmates—swallowed the live polio virus in teaspoonfuls of milk.

Tests showed the virus multiplied in their bodies. None of the individuals, however, developed any symptoms of polio. Yet blood samples indicated that polio-fighting antibodies built up in their systems in much the same pattern as results from natural exposure to polio.

Dr. Sabin points out that a harmless natural infection with polio in early childhood—the method by which most of the world's population gets its immunity to polio—lasts a lifetime. He says the hope is that the same permanent protection will be created by a tamed virus, but "without incurring the varying risk of paralysis encountered in nature."

The solution tried in the reformatory volunteers came from growing generation after generation of virus in a broth of monkey-kidney tissue. Weakened strains of each of the three types of virus that cause polio finally showed up.

But none of the volunteers got a dose containing all three types; a practical live-virus vaccine would have to include all three since immunity to one type of polio doesn't protect against the other two. And Dr. Sabin acknowledges he is not sure the tame strains he has developed will not revert to disease-causing states, but he does not believe they will.

Research ahead. Much more work still must be done. Now Dr. Sabin is working with polio virus found in apparently healthy children and which causes no disease in monkeys. Such a virus, he suggests, might be given in a spoonful of fluid or swabbed on the back of a child's throat during the period when he has a temporary immunity provided by mother-given antibodies or by a killed-virus vaccine. Then, with little risk, it could provide lifetime protection.

BIGGEST YEAR IN AUTO HISTORY

Nearly 7 Million Motorists Will Buy New Cars in '55

About 600,000 Americans a month are buying new cars.

Nothing quite like it has ever been seen before. Not long ago, auto men talked of selling 5.5 million cars in 1955. Now the goal is close to 7 million.

People respond to new gadgets, new styling. More changes are coming in 1956 models.

DETROIT

The appetite of the American people for new cars is turning out to be bigger than even the most optimistic leaders in the automobile industry had expected.

That simple fact accounts in large part for the record prosperity that the country is enjoying. It explains why steel production has just broken records for any single week. It contributes to high-level output and high employment not only in the automobile industry itself but in many other of the nation's industries.

When the 1955 season started, the most optimistic analysts in the industry figured on production of about 5.5 million passenger cars. That early estimate was raised to 6 million when the selling season got under way. Now it is generally conceded in Detroit that 1955 will be the biggest production year in history, ranging from 6.8 million to 7 million cars.

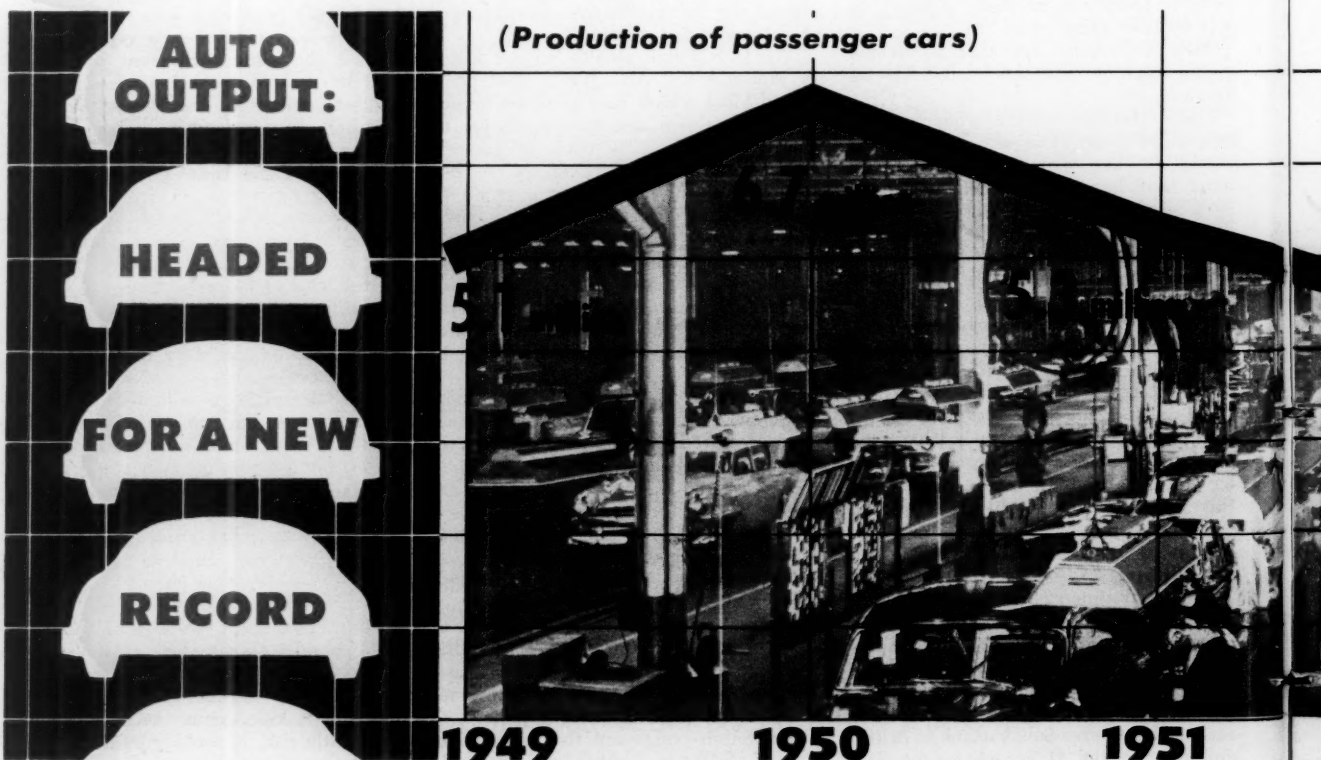
The industry also doubts that any severe slump will develop in auto manufacturing during the second half of the year. Leaders expect schedules to be cut back in the summer months but count on an upturn later in the year when 1956 models are introduced.

Next year's models are to be brought out in late September or early October to provide time for an autumn selling season. Changes in 1956 cars are to be substantial, although not as extensive as in the 1955 models. A lot of alterations are planned in the appearance of front and rear ends. Styling will make cars look longer and lower but actual dimensions will not change much. Four-door hard-top models, new this year, will be more numerous next year, and increased output of station wagons is planned.

For radios: transistors. Seat belts will be offered on most makes of cars as a new safety feature. They will be similar to belts now used in airplanes and will be fastened to the frame of the car. Another feature will be car radios using transistors instead of vacuum tubes. Horsepower is to be pushed up again, probably around 10 per cent, and new types of automatic transmissions will be introduced.

Present policy of most companies is to make rather important changes each year and to restyle completely every two or three years. This trend is being forced by the intense competition in the industry.

The one cloud in the outlook, as auto producers see it, is the chance that unions will strike for a guaranteed annual wage. People closest to these negotiations are not too confident that a way will be found to avoid a shutdown.



Source: Past years, Automobile Manufacturers Association; 1955, industry estimate Photo: Chrysler

And a strike would puncture the current production boom. Most observers say, however, that the odds appear to be slightly in favor of labor peace.

Even so, some moves are being made in Detroit that hint of "strike insurance." Suppliers of materials and parts report that auto companies refuse to commit themselves fully on orders for the July-September quarter—the time when a strike would take place if one is called. A few dealers appear to be stockpiling new cars, apparently as protection against a shutdown later in the year.

At the moment, Detroit is in the middle of a boom. The public bought 2 million new cars in the off-peak season from January through April and now is estimated by *Automotive News* to be buying cars at a 600,000-a-month clip. That's a rate of more than 7 million a year.

More money to spend. The least expensive cars, for the most part, are being passed over by buyers. Fully half of the customers for cars in the lower-price ranges buy the most expensive models in that range. This means that they spend about $2,500 on the average, instead of the minimum price of around $2,000. More than half of these buyers also spend about $200 for automatic transmissions and there is a run on the more expensive white-wall tires.

Car buyers also are insisting on eight-cylinder engines in the lowest price range. This demand is being carried to such a point that Chevrolet, for instance, is having some trouble in producing eight-cylinder engines fast enough. Auto makers have concluded that the six-cylinder engine is on the way out.

The surprising demand for new cars is attributed in large part to the strong appeal the 1955 models have made to customers. Changes in styling, color and power have brought into showrooms people who had no intention of buying a new car this year. Then, too, there has been aggressive, competitive selling by dealers from one end of the country to the other. Detroit executives say that the present sales effort has been unmatched since before World War II.

Price cutting is playing a major role in this selling. Dealers are giving discounts or overallowances on trade-ins that amounts to several hundred dollars on each car. There are even reports of discounts running as high as 20 per cent on the delivered price of a car, but in Detroit the opinion is that such discounts appear larger than they really are because of previous "price packing" by the dealer. In any event, dealer price cutting has put a number of nonfranchised or "bootleg" dealers out of business. They could not compete.

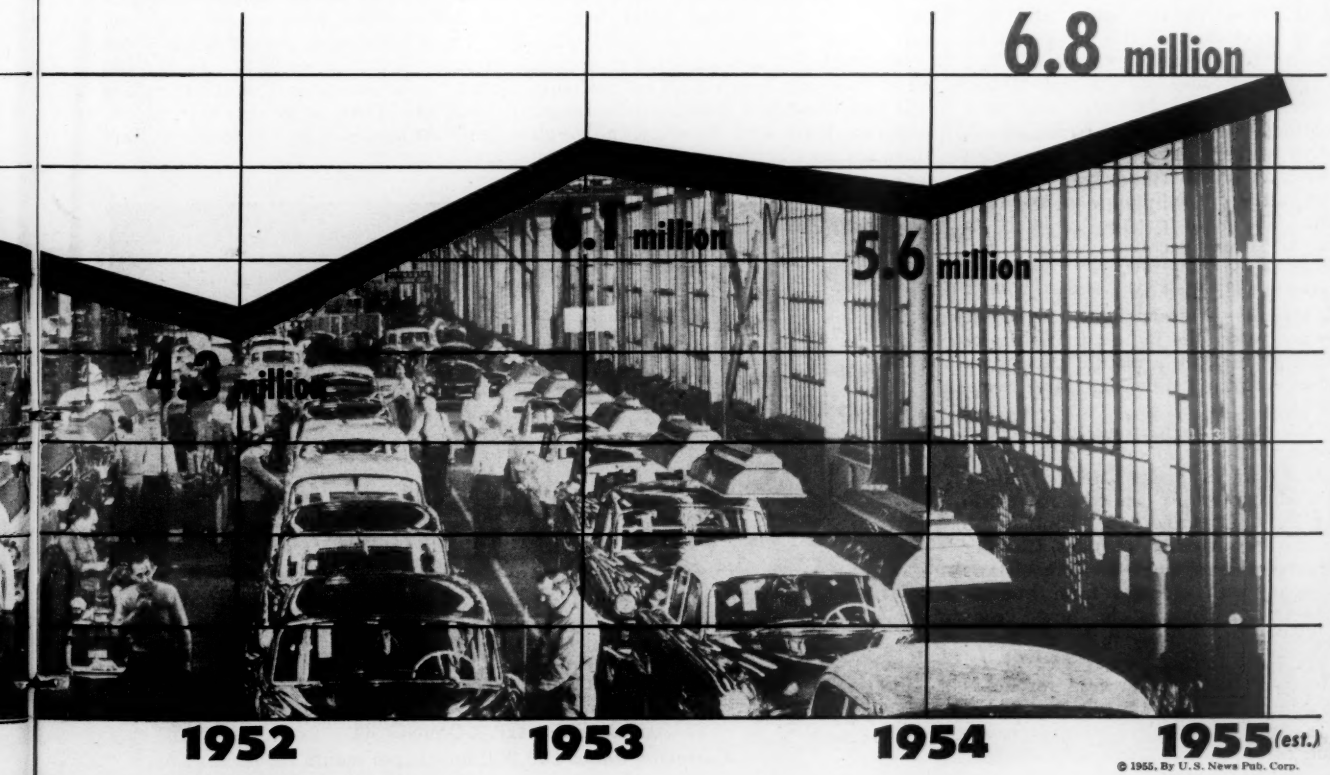
Lots of time to pay. Factories and dealers also are exploiting easy credit terms to the hilt. Some people say that credit is being overexploited. Buyers are offered cars for very small down payments, sometimes for no down payment at all, and often are allowed 36 months to pay. The average payment time is 25 to 28 months.

A few dealers are finding that easy credit pays off in two ways. It helps them sell cars and, by financing their own sales, they make further tidy profits on the loans. Installment loans usually carry a high effective interest rate and many dealers are reported to be making as much on the loans as they make on the original sale.

These high-pressure sales tactics are no worry to Detroit. Manufacturers note that they have sold a surprising number of cars so far this year and they expect a great many more to be sold. Actually, barring a strike, the makers of automobiles see no serious production slump ahead.

In production, the general view is that from 4 million to 4.5 million cars will be made during the first half of the year. This would leave 2.5 million to 3 million to be made in the second half, if a 7-million-car year is to be achieved. Output in the second half of the year thus would be considerably lower than the present rate, but promises to compare favorably with most other years.

Autumn pickup. Manufacturers look for production to be cut back in June



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[continued]

BIGGEST YEAR IN AUTO HISTORY

—Ford Motor Co.

AUTOS KEEP ROLLING OUT
No serious production slump is expected

and expect both production and sales to be rather slow in July, August and September. But, by the fourth quarter of the year, they expect output and sales to rise again.

The slowdown can be managed without extensive shutdowns and layoffs. A good deal of the slack can be taken up by eliminating overtime. The average work week in General Motors has been more than 44 hours, with most operations on a six-day basis. Ford's hourly workers have been averaging better than 45 hours a week and have been putting in 53 hours in assembly plants. The industry also is likely to have the usual vacation cutbacks and shutdowns.

Inventories right now are estimated at 675,000 cars—a record figure. This fact does not worry the industry. With sales running at 600,000 a month, current inventories really should increase, executives say.

When it comes to the 1956 models, changes will vary among producers. In General Motors lines, Cadillac, Buick and Oldsmobile are expected to restyle completely. Chevrolet and Pontiac are planning less extensive changes. Chrysler produced a complete new line of cars this year, with changes from bumper to bumper. Changes in next year's Chrysler cars are likely to be moderate. In the Ford lines, changes are expected in the front and rear ends for Fords and Mercurys, and Lincoln is expected to come out with a completely restyled car.

Ford is expected to bring out at least two new lines of cars in the near future. The Continental is expected to appear in October as the company's bid for a place in the prestige market. This car is likely to sell at about $10,000. The company expects to make around 2,500 of these cars a year.

The second line is expected to appear about two years hence. This car probably will be in the lower medium-price range, between Ford and Mercury, although there are some reports in Detroit that the new line will be priced between the Mercury and Lincoln.

One policy very evident at Ford is that this company is planning to engage in across-the-board competition with General Motors, which sells about half of all the cars sold in America.

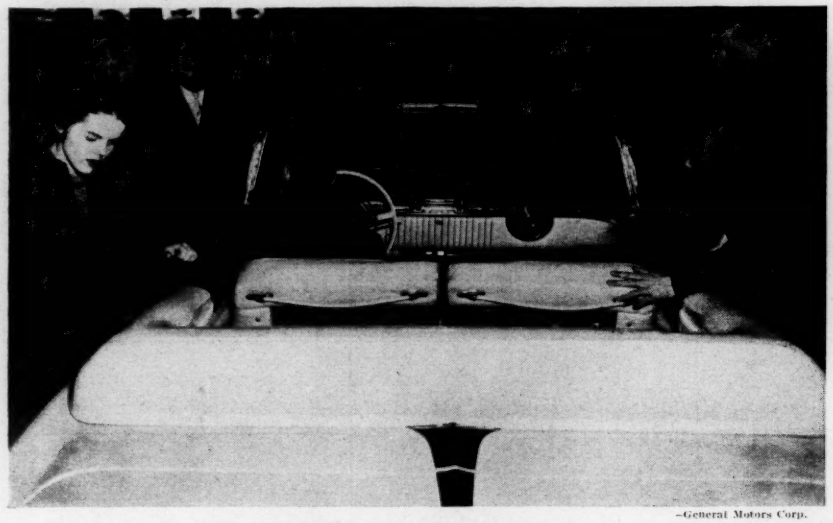
Chrysler Corporation, meanwhile, has staged a comeback. Its share of sales now is estimated at about 18 per cent of the total, compared with 13 per cent a year ago. The company is pressing for an even larger share.

The smaller manufacturers also are selling more cars this year in the expanded market. But it is still a question in the industry whether this group can capture and keep a larger share of the market.

Billions to spend. Motor companies also are looking well into the future and counting on continued good business.

Ford Motor Company has invested 1.7 billion dollars in new plant and equipment since 1946, and plans to spend an additional 625 million in the next three years. Most of this will be devoted to increasing capacity. General Motors Corporation is spending 550 million this year on top of the 2.1 billion it has invested in the past six years. Chrysler Corporation's outlay for this year is to run to 120 million. American Motors Corporation has a 60-million-dollar program for retooling.

These investment programs typify the confidence that is prevailing in Detroit, both for the current year and for years in the future. There is no sign here to suggest that people think the boom will not continue.



—General Motors Corp.

CUSTOMERS KEEP COMING IN
Currently, about 600,000 buyers per month

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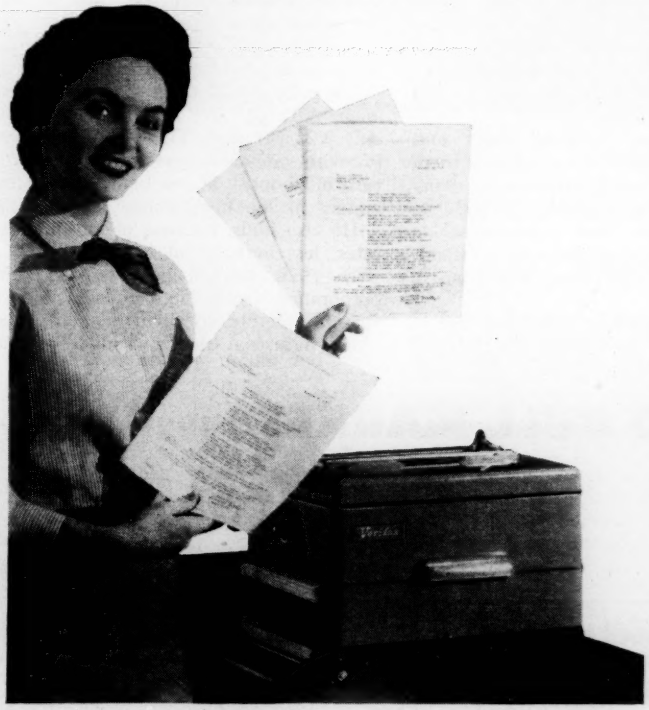

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A LOOK AT THE STOCK MARKET

Prices Up—Volume Down—Caution Growing

Investors are showing more hesitation in the stock market these days.

Trading has slowed. Prices are not rising so fast. Here and there, big buyers say they are holding off.

That makes the market look healthier to Government officials who feared it might boom too rapidly and collapse. At the moment, they feel the danger is less.

The stock market is being watched closely by the Government for trouble that might upset the nation's prosperity.

Any sign of caution on the part of investors and speculators in the market is viewed with satisfaction. Any sign of exuberance is received with a frown.

The reason is simple: a feeling in official circles that unsound speculation might lead to a serious stock market break. This might jar public confidence.

Thus, the market is regarded as one of the few danger spots in business.

Using the damper. Twice now the Federal Reserve Board has acted to discourage speculation. The amount of cash needed to buy corporate stocks was increased from 50 per cent to 60 per cent, then to 70 per cent. Officials say they will impose even stiffer rules any time prices of stocks are rising too fast.

These restraints are aimed at people who buy stocks on credit, hoping to resell at a profit in a short time. The idea is to discourage the speculator but not the long-term investor.

Stocks of leading industrial companies, as shown in the chart on page 31, have zoomed well above the price peak of 1929. But the rise is slowing.

Prices of stocks dropped on three occasions this year: in January, in March, and again since April 26. The average for industrial shares now is less than 5 per cent above the January high. In the same period a year ago, stocks went up 11 per cent, more than twice as fast.

Meanwhile, some favored stocks that shot up much more than average have lost some favor with investors. Shares of a group of aircraft companies have dropped 18 per cent from their 1955 peak, following a rise of 181 per cent from early 1954.

Companies engaged in atomic-energy developments also were being eagerly sought by investors. Now, prices of some of these stocks have fallen by one third or one fourth.

That sign of increasing caution pleases Government officials.

The hopeful view. Looking back at previous times of stock-market danger, these men see reason for hoping trouble can be headed off. The boom in securities has not reached such hectic levels as yet.

Activity, measured by the number of shares traded on the New York Stock Exchange, is one example. In September, 1929, about 100 million shares changed hands. Even before the bust, trading of 3 million a day was not uncommon.

Today, the average trading is less than 3 million shares.

This difference between today and 1929 is even more striking because there now are more than three times as many shares of stock. In September, 1929, the number of shares traded was equal to nearly 10 per cent of the total outstanding; in April, this year, less than 2 per cent.

The rate of turnover is less also than in 1937 or 1946. And since the Federal Reserve Board stiffened its rules for buying on credit, trading has slackened. Shares traded in April were about 13 million fewer than in March.

That is taken as another sign that speculators are becoming more cautious.

Better buys. In spite of high prices, those who buy stocks today get more tangible value, on the average, than investors in 1929, 1937 or 1946. The price is less in comparison with the companies' incomes.

In September, 1929, "blue chip" industrial shares cost, on the average, 19 times their annual earnings per share. At present prices, stock buyers are paying less than 14 times annual earnings, as estimated for 1955 on similar stocks. This is a good deal less than at the market peaks in 1937 and 1946.

The investor's return is greater than at other peaks. In September, 1929, dividends paid on industrial shares averaged about 3.34 per cent and, in May, 1946, only 3.21 per cent. This year, the investor with similar shares can expect a return of about 4.48 per cent, even if he bought at the high prices of April 26.

He also finds, because of low interest rates, less inducement to buy bonds.

In 1929, interest paid on top-flight corporation bonds actually was higher than the return in dividends on "blue chip" industrial stocks. Today, despite

TWO BULL MARKETS 1929-1955

	1929 HIGH	1955 HIGH (April 26)
Shares traded per month	100 million	54 million
Loans to brokers	$8.5 billion	$2.2 billion (est.)
Ratio of price to earnings*	19.1 to 1	13.9 to 1†
Return on stocks*	3.34 per cent	4.48 per cent†
Return on corporate bonds‡	4.80 per cent	3.01 per cent

*Dow-Jones industrial average †Estimated 1955 earnings and dividends
‡Moody's AAA bonds

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high prices, stocks bring a good deal more income than bonds.

This advantage of stocks over bonds is greater today than in 1937 and 1946.

As business climbs, profits and dividends are expected to increase. A gain is regarded by economists as probable in the fourth quarter of 1955. That rise, if it comes, will make stocks look more attractive, less high-priced.

When high prices are tied to such gains in industry, they are not frowned on by Government observers. High prices, of themselves, are considered good in a period of great prosperity. Danger is seen only in prices' rising too fast, based on hopes of profit beyond any likely growth in value.

Heavy borrowing. One sign of trouble worrying officials is the rise in borrowing in the stock market.

Total amount of credit being used to buy stocks is greater today than at any previous peak, except 1929. Then, shortly before stocks crashed, brokers were in debt to the tune of 8.5 billion dollars. Market experts figure the brokers, in turn, had investors on the hook for an even greater amount.

In effect, stockholders were in debt for more than 10 per cent of the value of shares listed on the New York Stock Exchange.

Today, loans to brokers are estimated at about 2.2 billions. Brokers' loans to customers are much larger.

This is more debt than in 1937 or 1946. Still, it represents less than 2 per cent of the value of all stocks on the Exchange.

A steady rise in borrowing has been noted in the last year or so. Officials point to surveys showing many recent purchases with borrowed funds. On one day, Exchange officials found more than half of the purchases by individuals were on "margin"—that is, with only part of the price paid in cash.

Such buying is considered to be a sign of speculation.

Another survey indicated nearly 12 per cent of purchases by individuals aimed at quick profits—in less than 30 days; another 30 per cent bought to sell at a profit in one to six months. Only 10 per cent bought for current income; the rest were counting on a rise in value but allowing more than six months' time.

The big money. Trading by individual investors and speculators accounts for most of the market turnover, but is not so important as it used to be.

Most of the new money going into the stock market has come from institutions such as pension-trust funds, investment companies and insurance firms. Their activity is supposed to be characterized by caution, expert timing and selection.

A study by the Securities and Exchange Commission indicates that funds from such big buyers increased from 900 millions in 1951 to 1.5 billions in 1954.

Foreigners also increased buying of U. S. stocks.

Individual investors in the U. S., on the other hand, put only 460 millions of new funds into stocks in 1954, compared with nearly 1.4 billions in 1951. If these figures are correct, the rise in prices was sustained, largely, by investment managers, experts on market values, not by individual speculators.

Lately, some of these managers have turned cautious. One company which invests its employe-pension money entirely in its own common stock, bought on the open market, has stopped buying, feeling the price now is too high.

That is another example of the kind of caution Government officials hope for. The opposite—speculation boosting prices rapidly—will be countered with public warnings and tighter credit.

Ike's New Headache— $1 Wheat Coming Back?

Signs are growing that farmers are about to toss Ike a problem of disturbing proportions.

The U. S. Government already owns a year's supply of wheat. Now, there seems a real possibility that wheat farmers this summer will vote against tight controls on acreages.

If they do, a glut of wheat could mean plummeting prices—just before the 1956 elections.

If American farmers should decide not to grow a bushel of wheat for one full year, this country still would have enough for its own needs and for sales abroad.

This fact is signaling a new headache for the Eisenhower Administration. It is a headache that could turn up in the form of $1 wheat just before next year's presidential election.

A billion bushels of wheat, owned by taxpayers, will be in Government bins by July 1. This is more than enough to meet a full year's needs. This month, farmers will start to harvest a new crop. By next autumn, another 850 million bushels will have been gathered in.

Against that background, farmers are to vote this summer whether to accept tight Government controls on the 1956 wheat crop in return for a support price of at least $1.79 a bushel.

A "No" vote is entirely possible. Many farmers are reported to be disgusted with the present program. One Western Kansas farmer put it this way: "The program has cut my acreage so low that I can't grow enough wheat to pay maintenance and depreciation on my machinery. If we throw this program out, we might get a better one. At least it can't be worse."

If the tight controls are voted down, support price will drop to $1.20 a bushel. Under the theory of flexible price supports, farmers would produce less wheat at the low price, shifting to more profitable crops.

But the wheat-belt farmer has few crops to which he can shift. The result is that he may not cut back production.

Many farm leaders predict that a flood of wheat would come to market in the summer of 1956. Wheat price, under the weight of big supplies, might drop below support levels and down close to $1 a bushel.

No help from history. Wheat is a problem that has always baffled Government planners. It was not the acreage-control plans of the New Deal farm program that liquidated 400 million bushels of surplus wheat that piled up in the early 1930s. It was the severe drought of 1934-36.

Following the 1934-36 drought, wheat began to pile up again in Government bins, despite control programs. By 1942, the surplus reached 630 million bushels. War demands solved that problem.

The only recent period of prosperity in the wheat belt came after World War II, when wheat poured into export channels to supply war-torn countries. Then, as these countries recovered, the surplus began to build up again.

Controls were applied to stop the flow of wheat into Government bins. Sixteen million acres was taken out of production in 1954. Seven million more was sliced off the acreage for 1955.

These acreage cuts, combined with drought, have virtually stopped the surplus build-up. However, individual farmers have been forced to cut acreage from 25 to 40 per cent. Smaller acreage and lower prices have brought a drastic reduction in the wheat farmer's income.

Farm leaders disagree. To ease this income problem, a number of wheat-State Congressmen are urging adoption of a "two price" plan. It would give each farmer a premium price on an allotted number of bushels to be used by U.S. flour mills. Then he could grow as much additional wheat as he wished, taking a chance on the price it would bring for livestock feed and export. This would be the "second price."

Corn-belt Congressmen object to the plan because it would bring wheat into competition with corn for the livestock feed market. Government officials object, too, saying U. S. would be accused of dumping wheat into export channels.

Farm Bureau officials want to give farmers a chance to vote for a bigger acreage, with price support set at about $1.55 a bushel. They claim this would increase consumption by moving more wheat into livestock feed and export channels. Their plan also draws corn-belt objections because it would put wheat into competition with corn.

The prospect, in the opinion of most farm leaders, is this: At best there is considerable confusion and price trouble ahead for wheat farmers; at worst, there could be chaotic wheat markets, with trouble spreading to other farm commodities and a headache developing for Republicans in the big wheat and corn States in 1956.

WHEAT FARMERS FACE THIS CHOICE
Approve marketing controls on 1956 crop and get support price of at least 75% of parity, OR ABOUT
$1.79
A BUSHEL
(With penalties for planting in excess of acreage allotments)
Disapprove marketing controls on 1956 crop and get support price of 50% of parity, OR ABOUT
$1.20
A BUSHEL
(No penalties for planting in excess of acreage allotments)

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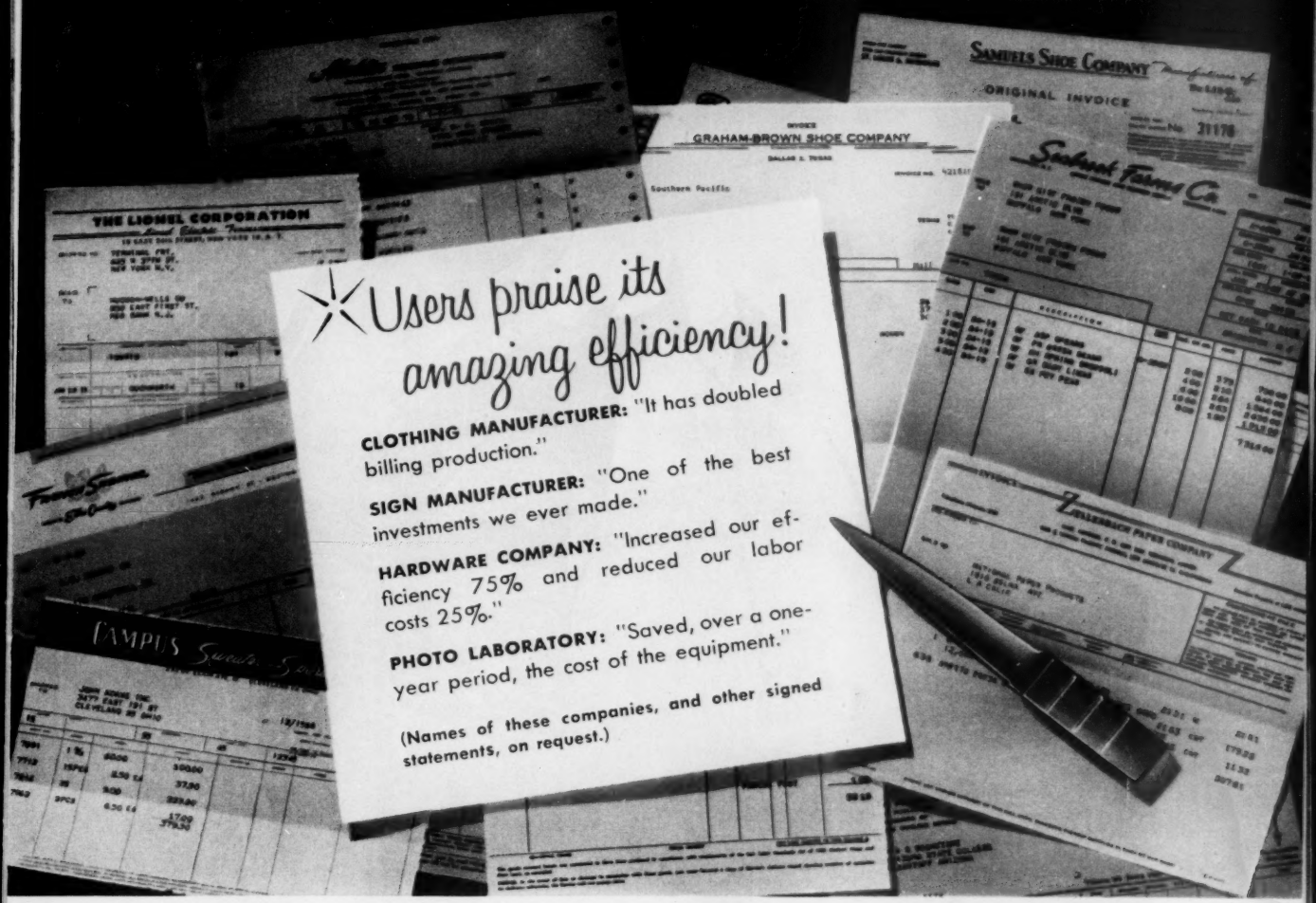
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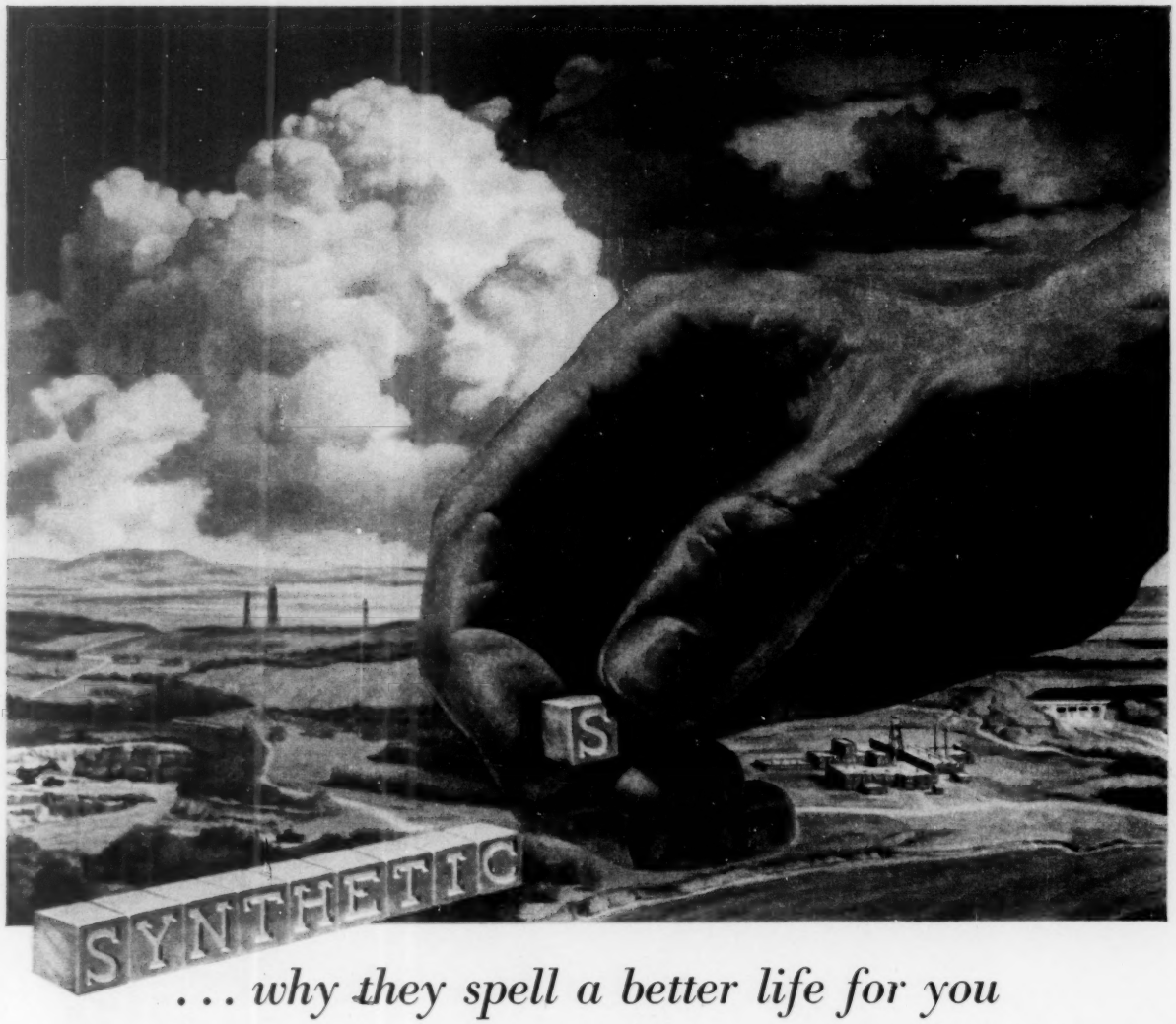

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Krishna Menon Says—

GET THE U.S. OUT OF ASIA

Then Have India and Red China as Joint Rulers of Far East

India, getting together with Red China, is offering this as a solution to the problems of Asia—

Get the U. S. out of the Far East, including Japan and Korea. Send the Americans home.

Get rid of Chiang Kai-shek, pension him off in the U. S.

Go along with the Chinese Communists. Give them the offshore islands without a fight. Give them Formosa. Let the Communists have most of Indo-China, too.

That's the way India's roving diplomat, V. K. Krishna Menon, is talking in his new role as "peace missionary" to Peiping.

SINGAPORE

V. K. Krishna Menon, who represents India's Prime Minister Jawaharlal Nehru, is going to Peiping to try to serve as middleman in arranging a peace between Red China and the United States.

A three-hour talk with Mr. Menon, covering the range of his viewpoints, has given *U. S. News & World Report* an idea of the peace terms that he wants to put across. Their purport: Get the U. S. out of Asia and give the Reds much of what they want in the Far East.

Step by step, here are the moves that Prime Minister Nehru and Krishna Menon are trying to promote:

- First, immediate and unconditional surrender to Red China of the offshore islands of Quemoy and Matsu.
- Second, liquidation of Chiang Kai-shek's Nationalist Government, and establishment of a caretaker government on Formosa to negotiate with the Reds.
- Third, a turnover of Formosa to Communist China.

After that, Mr. Nehru and Mr. Menon aim at a Far Eastern settlement that would do these things:

- Yield South Vietnam to the Communist regime that now controls the northern half of the country.
- Dismantle all U. S. military alliances with Asian countries.
- Force the withdrawal of U. S. military forces from Japan and Korea, and other parts of Asia.
- Create an Indian-dominated neutral bloc, comprising all non-Communist countries of Asia, to replace U. S. power in this part of the world.

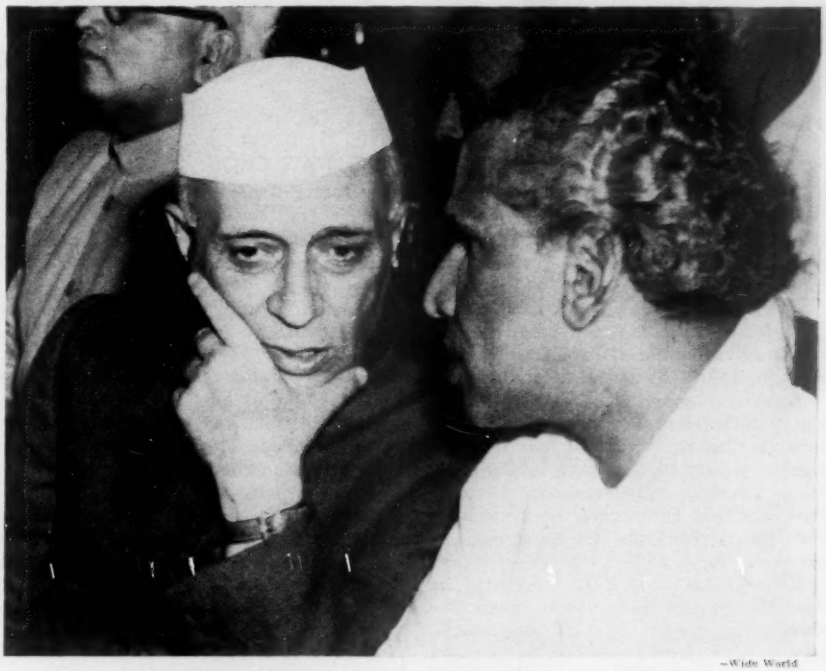
Unveiled at Bandung. Prime Minister Nehru and Mr. Menon gave this formula its launching at the recent Conference of Asian-African nations at Bandung, Indonesia.

At that Conference, Mr. Nehru exposed himself as a bitter critic of U. S. policy and a special pleader for the cause of Red China and Russia. Backstage, Krishna Menon buttonholed Asian delegates to spell out the Indian peace formula even more explicitly.

This is the line that Mr. Menon takes in his private conversations:

Red China: Mr. Menon believes that the Communists' main task is to consolidate their power and economy. He says they can do it best if there's no war—but that they will manage to do the job even if war comes.

Formosa: That island, he says, belongs to China historically and in every



—Wide World

PRIME MINISTER NEHRU AND KRISHNA MENON
. . . willing to put their trust in Red China's "good faith"

[continued]

MENON TO U. S.—GET OUT OF ASIA

other sense. He scorns the idea of a plebiscite on Formosa to settle its fate as "ridiculous."

Chiang Kai-shek: Krishna Menon proposes that the Nationalist leader retire with his family to the U. S. and be pensioned off. Then, he says, a provisional government not "tainted" by Chiang could take over in Formosa to negotiate with Peiping.

Japan: China is looked on as Japan's normal trading partner. The Indian diplomat says that Japan's future depends on co-operation with the Reds.

Cambodia and Laos: Mr. Menon states that India has traditional religious and cultural ties with Cambodia, but will give those two countries no material or military aid against aggression—only moral support.

U. S. officials derided. In the course of a three-hour conversation, Mr. Menon repeatedly denounced American policies and derided U. S. officials.

Krishna Menon, who recently visited the U. S. to meet President Eisenhower, believes that the President has the prestige to win public support in the U. S. for a Formosa settlement. But he adds that President Eisenhower does not have the "mental furniture" to know what to do about it.

These ideas have long been held by Mr. Menon. As India's top envoy, he shows up frequently at international meetings to give Communist diplomats a helping hand. It was this man who played a large part in getting the West to make concessions to the Communists during the Korea and Indo-China truce talks.

Prime Minister Nehru, in the past, has been less consistent than Mr. Menon in supporting the Communist powers. While often critical of the U. S., he has sometimes criticized the Communist nations, too.

The big switch. Everything that Mr. Nehru says now, however, adds up to blanket condemnation of American policies—and he tolerates no criticism of the Communists. Here, in his own words, is how India's Prime Minister views the rest of the world:

Resistance to Red aggression: "War must be avoided at any cost."

—United Press

INDIA'S MENON WITH CHINA'S CHOU
Nehru's spokesman has a formula to sell

Military build-ups: "This so-called realistic policy has brought us to the abyss of war."

Western European alliance: "It's one of the most powerful protectors of colonialism."

Russian imperialism in Eastern Europe: "These nations are members of the United Nations and have treaties with other countries. This proves that they are sovereign. Condemnation would be interference in their internal affairs."

No critic of Russia. While attacking American-sponsored defense pacts, such as that between Turkey and Pakistan, Mr. Nehru avoids any criticism of Russian-backed alliances, such as the one between the Soviet Union and Red China. He does not mention Russia's control over the military forces of its Eastern European satellites.

India's Prime Minister and his personal diplomat regard American military power in Asia as the real cause of tension and war threats. They say that, once U. S. military strength is removed from this part of the world, Asia can trust Red China's "good faith."

Mr. Nehru and Mr. Menon have two goals. They want to satisfy Red China's immediate demands on the Formosa question. And they want to divide Asia into two spheres of influence. One would consist of the Communist bloc, extending from Korea through Vietnam, to be controlled by Peiping. The other would consist of the neutralist bloc, including the rest of Asia, to be dominated by New Delhi.

India's leaders are trying hard to promote these ideas among other non-Communist countries of South Asia. Their efforts, so far, are meeting with little success. Except for the Indonesians, leaders of those countries think that the Indian viewpoint is unrealistic.

As these Asians see it, Mr. Nehru's attacks on all who question his policies are gradually isolating him from other South Asian countries. Even Burma and Ceylon, largely guided in the past by Mr. Nehru's ideas, now have serious qualms about any attempt to force the U. S. out of Asia and buy peace through major concessions to the Communists. Ceylon's Prime Minister Sir John Kotelawala is openly at odds with Mr. Nehru.

Other Asian countries such as Pakistan and Thailand, which have strong ties with the West, are even more opposed to India's formula for peace. These countries actually favor more American commitment in this area, not less.

There is growing rebellion among non-Communist Asians against Mr. Nehru's ideas. That revolt shatters the claim of the Indian Prime Minister to be the spokesman for Asia.

Closer to Reds? As a result, some Asians think the West now faces a new complication—that Mr. Nehru's wounded vanity may drive him into even closer collaboration with Communist China.

Neither Mr. Nehru nor Mr. Menon considers their ideas on Asia a sellout to Communism. Secretly, both men fear the rising power of Red China. But they are convinced that the American policy of creating military alliances to counter Communist expansion will lead inevitably to war. And they see capitulation to Communist demands as a lesser evil than war.

That viewpoint is the basis of India's formula for peace—a formula that Mr. Menon is taking to Peiping for the approval of Red China's leaders.

U.S. IN MIDDLE OF A GANG WAR

Capone Would Look Like a Piker in Indo-China

Americans in Indo-China are learning about racketeers.

U. S. mobsters could take lessons. Indo-Chinese gangsters sell protection to governments. They run the police; they employ ex-emperors. They pose as "popes," make religion a racket.

Loyalties are sold in the market. Communists are waiting around to pick up what's left of Indo-China from the racketeers.

SAIGON, South Vietnam

To understand what the United States is up against in this part of Indo-China, a knowledge of the Al Capone era of gang warfare is useful.

A strange motley of forces is at work in South Vietnam. From one day to the next, nobody can be sure which side each of these forces is supporting.

There is a river pirate out to protect a multimillion-dollar racket who has an ex-emperor on his payroll. There is a long-haired war lord who boasts of his delight in killing men. There is a fanatic who calls himself a "pope" who runs a minor religion as big business.

These three, over the last 10 years, have worked for the Japanese, the Communists and the French, and as independent freebooters. Their loyalty goes to the highest bidder.

All of them recently have joined forces in a shifting alliance to oust a Premier who threatens their power. He is Ngo Dinh Diem. With the support of the United States, Diem has set out to break up this "unholy alliance."

Oriental Al Capone. Mastermind of the grimy crew against Diem is the boss of vice in this country. He is 50-year-old Le Van Vien, known to all as Bay Vien.

Bay Vien is the commander of Binh Xuyen, a private gang of about 2,000 armed men who make their headquarters in Cholon, a Chinese suburb of Saigon. He is a typical underworld character—stocky, ruthless, taciturn.

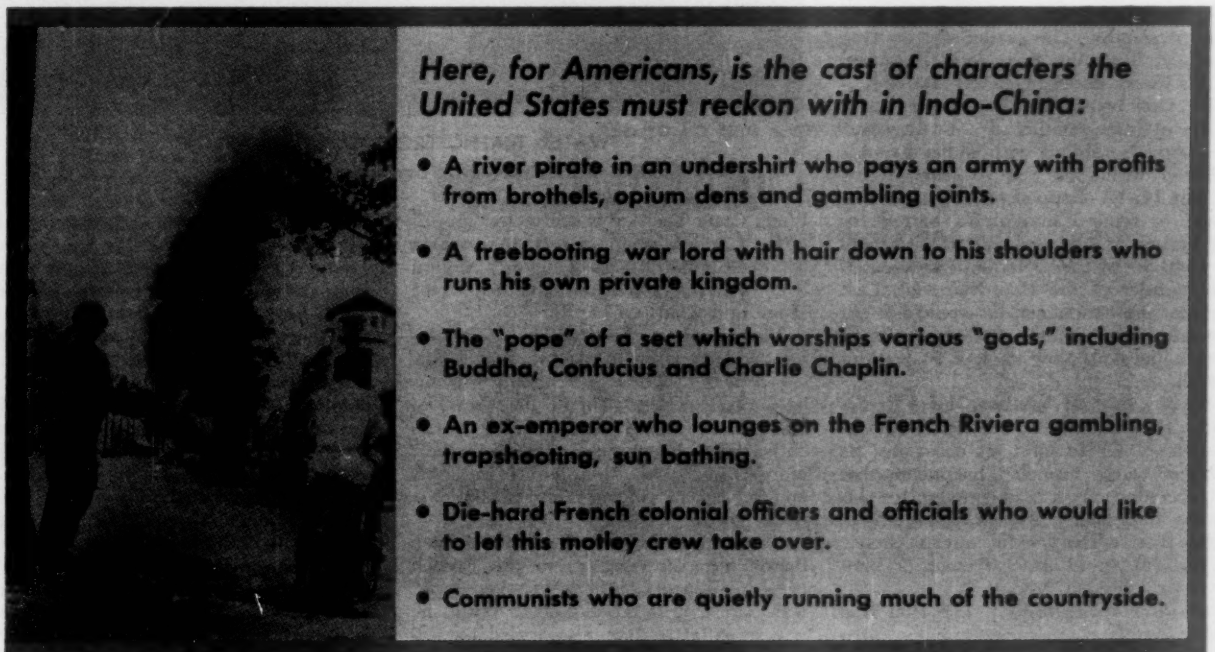
When the Binh Xuyen inner circle meets, he sits at the table in an undershirt, puffing silently at a cigarette through a long holder while his underlings debate. Bay Vien speaks only to announce his decision.

A pool filled with crocodiles guarded the entrance to Bay Vien's fortress in the outskirts of Saigon. This headquarters was destroyed in the recent fighting, but Bay Vien has other hideaways.

Bay Vien started his career as a river pirate. The leader of his gang was killed in 1946 and Bay Vien took over. He turned river piracy into his own monopoly. All water traffic moving out of Saigon paid him big fees. Soon he moved ashore to take over the big rackets of Saigon and Cholon.

Brothel boss. City vice proved more profitable than river piracy. Bay's empire spread to control of the city's gambling houses, including the lavish Grande Monde and the Casino. He took over organized prostitution and built a lavish brothel in Saigon. He took over the opium trade and the opium dens. He organized a "shakedown" racket which collected "protection" money from all merchants.

Bay went into politics for cash. He consolidated his various gangs into the Binh Xuyen. For a time he collaborated with Communists. They appointed him commander of the zone around Saigon before the French Army returned to Indo-China. Then the French bought him off with arms, supplies and a commis-



Here, for Americans, is the cast of characters the United States must reckon with in Indo-China:

- **A river pirate in an undershirt who pays an army with profits from brothels, opium dens and gambling joints.**
- **A freebooting war lord with hair down to his shoulders who runs his own private kingdom.**
- **The "pope" of a sect which worships various "gods," including Buddha, Confucius and Charlie Chaplin.**
- **An ex-emperor who lounges on the French Riviera gambling, trapshooting, sun bathing.**
- **Die-hard French colonial officers and officials who would like to let this motley crew take over.**
- **Communists who are quietly running much of the countryside.**

Photo: United Press

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[continued]

U. S. IN MIDDLE OF A GANG WAR

sion as colonel of the guard of South Vietnam. When the French brought Emperor Bao Dai back to Saigon, the playboy Emperor promoted Bay Vien to general and entered into a profitable business arrangement with him.

Compared to Bay Vien, Al Capone was a piker. Bay Vien didn't buy police protection for his rackets. He just took over the police. Before leaving for France last year, Bao Dai, then Chief of State, gave Bay Vien's organization control of the police in Saigon and Cholon, as well as control of the country's Sûreté, or secret police. The reported price: a cut for Bao Dai of 3 million dollars annually from Bay Vien's gambling, prostitution and opium income.

Early this year, Premier Diem set out to break Bay Vien. He refused to renew the licenses for the Grande Monde and the Casino. Bay Vien moved his gambling operations to various hotels, but used Bao Dai to try to get Diem out of office. That failed. Most French officials didn't like Diem either, but the U. S. supported his efforts to crush Bay Vien. So Bay Vien turned to his allies.

Cutthroat ally. A bloodthirsty killer named Ba Cut is Bay Vien's main ally. He is a freebooting 30-year-old war lord whose "army" totals between 10,000 and 15,000 cutthroats and fanatics.

In theory, Ba Cut's forces belong to the Hoa Hao, a religious sect which follows a perverted form of Buddhism. Actually, Ba Cut's best troops are loyal to him personally. The leader of the Hoa Hao sect, Tran Van Soai, recently placed all his forces under "General" Ba Cut.

Ba Cut boasts of his prowess as a killer, of his activities as a homosexual. His body is riddled with bullet wounds suffered during the last 10 years. When he was 17, he chopped off the tip of one finger to remind him of his hatred for the French, but he co-operated with them in 1946 when the Communists executed the founder of the Hoa Hao sect. Last summer, he announced he would not cut his hair until Communists were out of North Vietnam. Now his hair is shoulder length.

So far, Ba Cut has been loyal to nobody. He has broken with Hoa Hao several times. On at least six occasions, he "rallied" to the French. That means that he accepted arms and money for his troops in exchange for a promise not to fight. But, whenever he saw a chance to win, he would attack French or Vietnam Government troops.

Plunder "kingdoms." The Hoa Hao sect controls a rich rice-growing area about 100 miles south of Saigon. There Ba Cut and four lesser lords of the sect control little "kingdoms." They levy taxes, plunder at will and collect fees for all traffic entering or leaving their territories. Several Vietnamese Army battalions were sent from Saigon to crush Ba Cut last December, but they were routed.

The sect leader, Van Soai, has amassed fabulous wealth through Hoa Hao. He organized the first Hoa Hao army with weapons supplied by the Japanese in 1944. He collaborated with the Communist-led Viet Minh after the war, but, like Bay Vien, he broke with the Reds when he found that they were out to liquidate all the sects and their armies.

A scheming "pope." Strangest of all the "little kings" of South Vietnam is Pham Cong Tac. He is self-styled "pope" of the Cao Dai religious sect. It worships a fantastic assortment of "gods" ranging from Buddha and Confucius to Victor Hugo and Charlie Chaplin.

Visitors often dismiss Tac as simple-minded. Actually, he is a shrewd political schemer. Through cunning machinations, he got control of the Cao Dai sect shortly after it was founded in the early 1930s. He made himself its "pope," reorganized it, won thousands of converts and set up an efficient fund-raising system.

Tac once incorporated an anti-French theme into his religion, so the French tried to suppress it. In 1941, the "pope" was banished to Madagascar. While he was in exile the Japanese armed his followers. They sided with Communist-led rebels at first, but joined the French, as did Binh Xuyen and Hoa Hao when their autonomy was threatened. The "pope" was brought back in 1946 by the French, and his organization grew rapidly.

Tac has enormous personal ambitions. He wants Cao Dai to become the state religion. In 1949, he tried to arrange a truce between Communist-led rebels and the French. It didn't work. Communists attacked Cao Dai territory, forcing the "pope" to turn his forces against them.

Unholy alliance. A strange alliance was set up between these gangsters, racketeers, soldiers of fortune and religious fanatics to meet the challenge to their authority by Premier Diem. Bay Vien's Binh Xuyen and "General" Ba Cut's Hoa Hao troops got together to oust Diem by force. The Cao Dai "pope," playing it safe, was slow to choose sides, although he let his main general, Nguyen Thanh Phuong, go to Diem's support.

In the violence that followed, Premier Diem called in the Vietnamese Army, which proved loyal to him at the start. Hundreds were killed, among them the Cao Dai general. Bay Vien's armed gangs were chased out of police headquarters. Diem's stock soared. But the struggle for power was only beginning.

The French Government in Paris agreed, although reluctantly, to go along with U. S. officials who urged that Premier Diem be given a chance to clean up his country. French officials, businessmen and many officers on the spot, however, call Diem anti-French and oppose him.

—Black Star

WATER TRAFFIC FROM SAIGON HARBOR
. . . was taken over by a river pirate

They want to continue buying off the gangsters and sect leaders. They are out to protect French economic interests as long as they can.

"Kept" ex-Emperor. The common denominator for all these elements is the ex-Emperor, Bao Dai, now the absentee Chief of State of South Vietnam. He lives well on the French Riviera on an income kept high by his private pay from Bay Vien's rackets and other tributes. He tries to run his country by remote control.

Bao Dai himself has changed sides often. For a time he tried to do business with the Communist-led rebels against the French. Then he lived in idle exile in Hong Kong. The French made a deal with him and he returned as Chief of State of a French-sponsored Vietnamese government. He spent much of his time in that job shooting tigers driven to his guns by beaters. He played politics from a distance, in a palace 150 miles from Saigon, accessible only by air.

Early last year, Bao Dai went to the French Riviera. There he has remained. When Premier Diem called on the Vietnamese Army to blast Bay Vien's gangsters and racketeers out of police headquarters, Bao Dai cabled his Premier to let Vien alone and sent one of his generals flying from the Riviera to Saigon to take over. It was too late for Bao Dai.

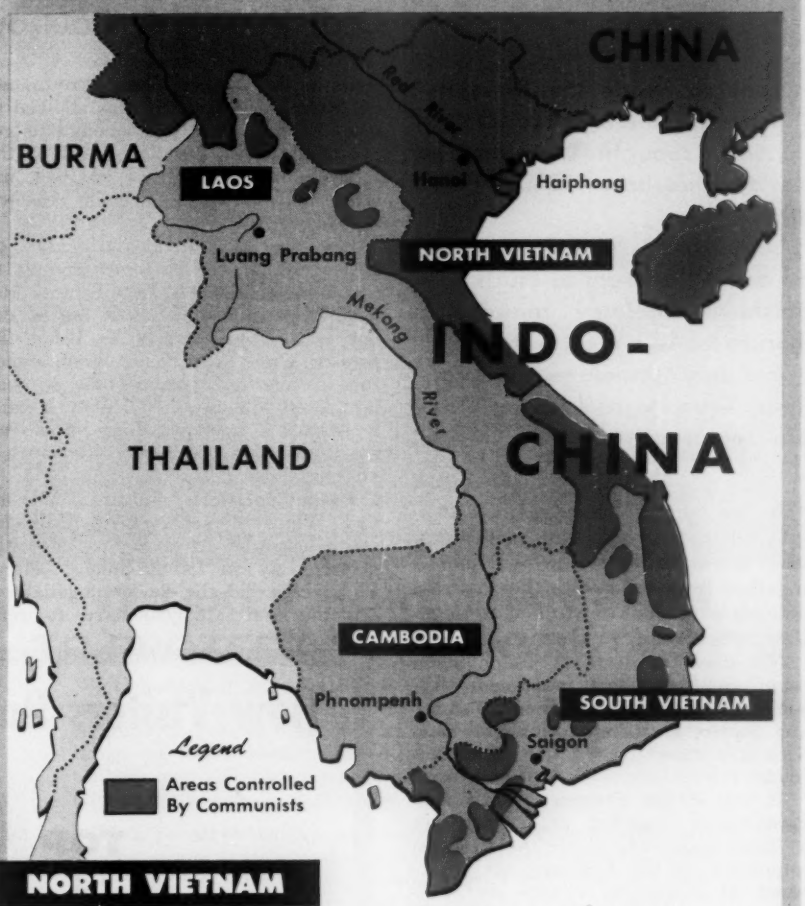
Premier Diem, encouraged by his initial success, defied Bao Dai. The Army supported Diem, not the absentee Chief of State. Army leaders on the spot were certainly influenced by the thought that the U. S., which already has sunk 3 billion dollars into Indo-China, mainly through the French, was looking to Diem, not to Bao Dai, as the man who might clean up South Vietnam.

Bao Dai, once again, changed sides. He sent his defiant Premier a conciliatory message. The trend in Vietnam, an Oriental country in which nothing is as highly respected as success, swung toward Premier Diem.

Communist power grows. This medley of idle royalty, river pirates, racketeers, "holy" schemers and die-hard French colonials is by no means through. Loyalties can shift overnight. Premiers can change overnight, too. What is not changing, however, is the growth in power of Communists. They are quietly building up their underground organization in the South Vietnam countryside, controlling large areas while Premier Diem, in Saigon, fights off his enemies and looks for U. S. help to train and arm his national Army.

And nobody can say for sure, at this point, whether South Vietnam will fall back into the chaotic control of racketeers, whether Diem will win or whether what's left of Indo-China will go to the Communists.

Where U.S. Has Sunk 3 Billion Dollars



NORTH VIETNAM

Gone to the Communists.

SOUTH VIETNAM

In chaos. U.S. backing one side, French supporting another. Communists all over the country.

LAOS

Poor, weak, infiltrated by Communists.

CAMBODIA

Rich, weak, wants to be neutral.

RESULT: One more part of the world on the skids, sliding toward Communism.

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The Men Who Run Russia . . .

Old, Worried, Cautious—Visiting Austrians Say

Looking inside the Kremlin—

There is more to Bulganin than generally thought. There may be less to Khrushchev, Zhukov and others.

Malenkov is still around, but he doesn't amount to much. Old Bolshevik Molotov remains a man to be reckoned with.

But they all seem worried, cautious, wary of risk taking. They are conservative men.

VIENNA

A new, up-to-date size-up of Russia's top men is available to the outside world now. It can be pieced together from talks with the Austrian officials who went to Moscow to negotiate peace terms in the Kremlin.

Not since the death of Joseph Stalin have non-Communist politicians had such an opportunity to observe the Soviet leaders in operation at home base. This is a report on what the Austrians found.

It was Soviet Premier Nikolai Bulganin—often regarded as nothing but a "front man"—who made the strongest impression on the Austrians. He is pictured as a man of culture and self-assurance—with a lively sense of humor. At one banquet, for example, he repeatedly teased Foreign Minister V. M. Molotov as a "monopolist" for trying to propose all the toasts of the evening.

The Communist Party boss, Nikita Khrushchev, did not seem to be a man on the way up to dictatorship. He is described as an outspoken, down-to-earth individual who is heavy-set and has an enormous amount of vitality. But he does not appear as the present or future boss of Russia. He talked to the Austrians in the manner of one party politician to another.

Khrushchev did not mince words when talking with the visitors about atomic bombs. Their cost, he said, is terrific, and the Russians would like to use all that money for something else. In the same breath, however, he warned that the Soviet Union is not going to stand by idly and watch its allies be peeled away, "leaf by leaf, like an artichoke."

Former Premier Georgi Malenkov appears as the weakest personality among the Kremlin leaders. He was allowed to take the first place long enough to get rid of Lavrenti Beria as head of the secret police. Once that job was finished, the men in the Kremlin demoted Malenkov.

However, it is obvious that they do not regard him as dangerous enough to require execution. In appearance, Malenkov is somber and stolid, but he did not impress his visitors as being depressed. Once Khrushchev openly poked fun at Western rumors that he had liquidated Malenkov. Malenkov certainly is back in good standing, but his exact position in the Soviet hierarchy is undetermined.

Faster decisions. Bulganin, Molotov and Deputy Premier A. I. Mikoyan seemed to the Austrians to have the decisive say on foreign-policy matters. In no case did the Soviet negotiators—Molotov and Mikoyan—have to refer questions to a higher authority, as was the case in Stalin's day. If a difference developed in the treaty negotiations, the Russians simply stepped away from the table, talked things over among themselves and came back with the answer.

About seven men now appear to be running the Soviet Union. They are Bulganin, Molotov, Khrushchev, Mikoyan and three others, Deputy Premiers L. M. Kaganovich, Maxim Saburov and Mikhail Pervukhin. Major decisions apparently require the consent of at least two members of this group.

The marshals of the Soviet Army do not seem to belong to the inner group. If men such as Marshal Georgi Zhukov—the Defense Minister, who recently exchanged letters with President Eisenhower—play an important role, the Austrians could see no evidence of it. They were not even sure whether Zhukov was present at a Kremlin reception in their

How Visitors Rank Russia's Top 10

TOP 3

BULGANIN MOLOTOV MIKOYAN

MIDDLE 4

KAGANOVICH PERVUKHIN KHRUSHCHEV SABUROV

BOTTOM 3

MALENKOV VOROSHILOV ZHUKOV

Photos: Sovfoto

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honor. Nor did they list Marshal K. E. Voroshilov, often referred to as "President of the Soviet Union," as among the men of top influence.

It was the over-all attitude of the Russians that most impressed the Austrian visitors during their stay in Moscow.

The Kremlin leaders—or those who count most—are all in their 60s. They seem preoccupied with their personal comforts. They watch their health. Most of them have mineral water in their vodka glasses when toasts are being drunk, and there is none of the boisterousness usually identified with Russian banquets.

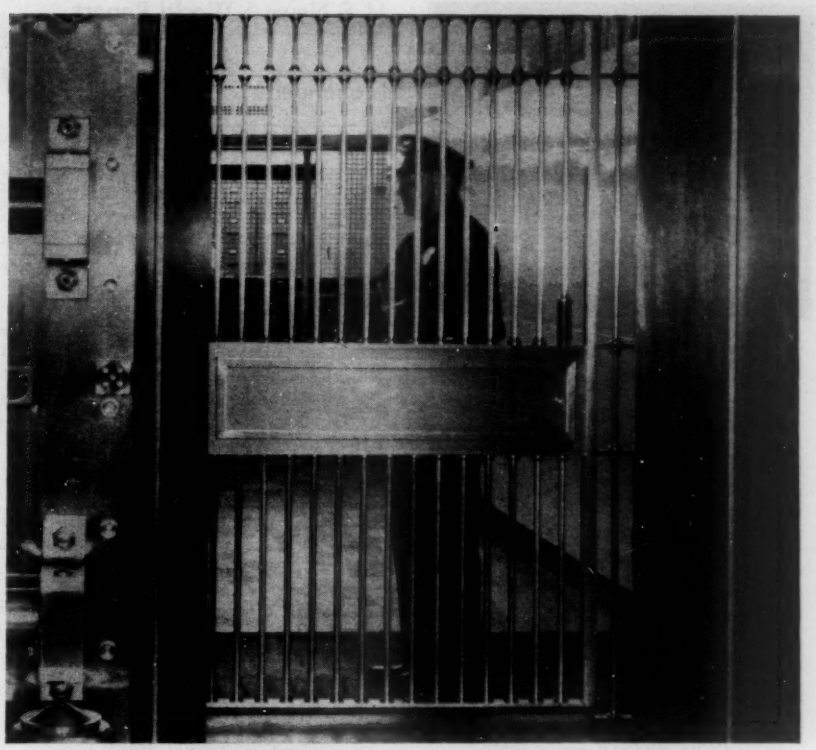
To the Austrians, they appeared to be old and cautious men with little of the revolutionary ardor of their youth. They do not want to risk what they have managed to build up through years of careful political maneuvering. Fundamentally, they seem more conservative than revolutionary.

Expressed fears of war were so much on the lips of the Russians that the Austrians could not escape a feeling that these men really feel endangered by events and have a sense of weakness in comparison with the U. S. They talk as though their primary consideration is how to avoid war while maintaining their prestige as the board of directors of a world power.

Germany, as a potential source of war, is much in the minds of the Russians. This is the way the men in the Kremlin talked to the Austrians:

- A rearmed West Germany can have quite an attraction to the East Germans now under Soviet control. Suppose there is an uprising against the Communists in East Germany. Suppose that Soviet tanks are called out to restore order. Wouldn't troops from West Germany then jump in? If that happens, and the U. S. goes to the support of the West Germans, the Third World War will be under way.
- In the Kremlin, fear of the German military is as vivid as is the distrust of German pledges. Bulganin told his visitors that from 1928 to 1938, the Germans broke all the treaties they signed. When someone argued that there is an important difference between Hitler's Germany and the present West Germany, Bulganin simply replied that Germany could break all her pledges in the next 10 years, just as she had in the past. The Russians worry over the Germans as soldiers and as highly developed industrialists who can act as a power magnet to pull away loyalty of the Soviet satellites.
- There is apprehension in Moscow about the rise of Communist China, too. The Austrians feel that, in the face of

(Continued on page 44)



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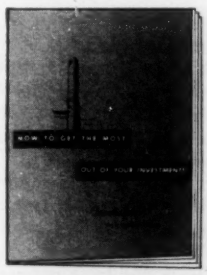

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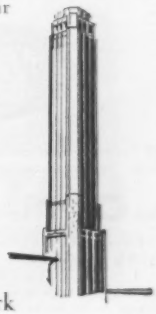

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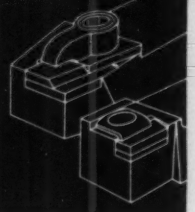

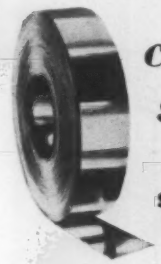

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[*continued*]

THE MEN WHO RUN RUSSIA

China's reluctance to let the Kremlin call all the signals, the Soviet leaders have come to think of Russia as primarily a European power. Their thoughts are more in Europe than in Asia.

The two decisive dates of the future that the Soviet leaders seem to keep in mind are the eventual deaths of Mao Tse-tung in China and of Chancellor Konrad Adenauer in West Germany. To the Kremlin, both events can mark turning points in history, and the Soviets want to be ready to exploit them.

As they see it, in China the death of Mao may bring either a swing to the U. S. or a strengthening of Soviet power in that country. In Germany, the death of Adenauer might open the way for the neutralists. The Russians expect the passing of either or both men within the next seven years.

Meanwhile, they have turned defensive and cautious. Bulganin frankly told the Austrians that the offer of a peace treaty grew out of changing conditions in Europe. The Kremlin is resigned to a rearmed West Germany. What the Russians want now is a belt of neutral countries extending from Sweden to Yugoslavia to give the Soviet Union a greater feeling of security and to protect the satellites.

Once the Russians had made up their minds to withdraw from Austria, they did not engage in much bargaining. The Austrians got the idea that the calling in of the delegation from Vienna was just a formality. There was no haggling.

The Austrians, arriving at the Moscow airport in a Soviet plane, were given a cordial reception by Molotov and Mikoyan. The atmosphere of all the meetings was entirely friendly. The Austrians were lodged in a newly completed guest house near their own Embassy. Each room was equipped with television. Once the negotiations were completed, they were given an impressive send-off for their trip home.

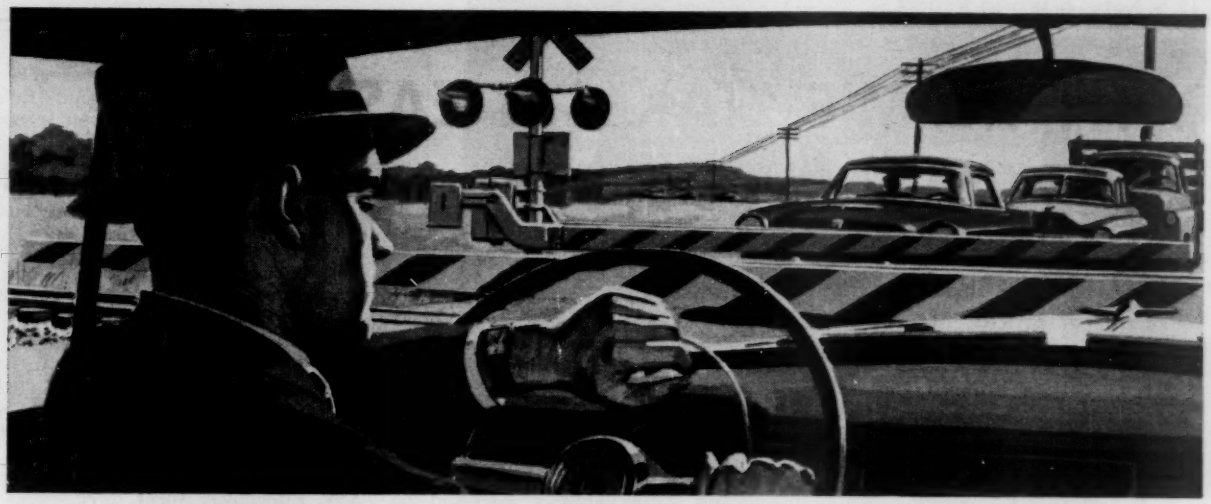
—Sovfoto

PREMIER BULGANIN WITH MARSHAL ZHUKOV
Estimates of their relative power are being revised

The Vienna delegates arrived home with this conclusion:

The old men in the Kremlin, grown conservative with the passing years, are in a defensive mood caused by fear of a world war, by the overextension of their power and by a feeling of inadequacy when they compare their resources with those of the United States.

What unites them. There is an air of uncertainty about them. There may be an inner fight for power, but it doesn't show on the surface. The Soviet leaders are united by one common aim—to see to it that no one of them manages to usurp the power that was Stalin's. In these circumstances they are eager to negotiate with the West to reduce the chances of a war that could engulf them—but they are not yet ready to make really big concessions to the U. S. or anyone else.



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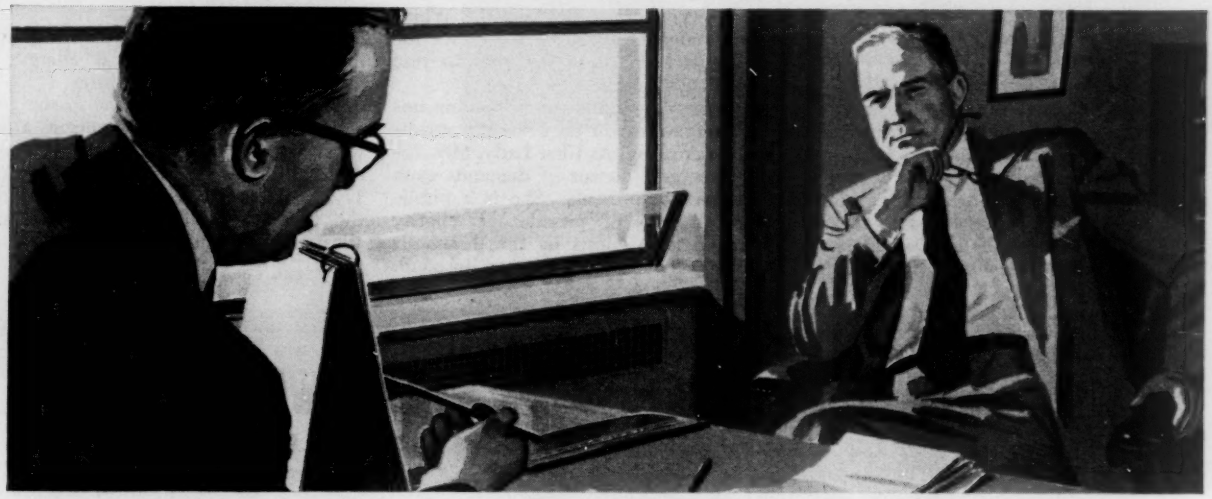

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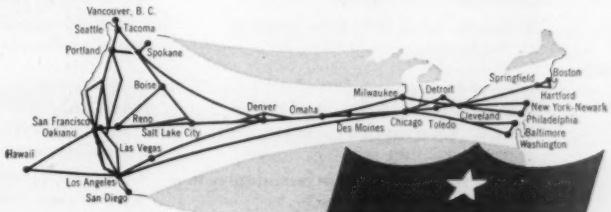

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WHY MAMIE "TAKES IT EASY"

White House Proves Too Tiring for First Lady

Behind Mamie Eisenhower's rash of canceled appointments—

Strain of official life, endless lines of handshakers, lack of privacy are wearing on the First Lady. She needs rest, quiet.

Mrs. Eisenhower's health, actually, is pretty good. But doctors have ordered her to cut down. When she does, rumors arise.

Mamie Eisenhower more and more is turning down invitations to big affairs, shortening her social schedule, avoiding long lines of handshakers, trying to get rest and quiet.

The First Lady canceled a tea at the British Embassy. She trimmed from her calendar scheduled appearances at luncheons, a "brunch" and a big church fair. She missed a reception for delegates to the annual meeting of the Daughters of the American Revolution. She spent three weeks resting at her new home at Gettysburg, Pa., expects to get back there often for more quiet.

All of these things are helping to build rumors that Mrs. Eisenhower's health is less good than the White House admits. Politicians are saying it may have an important bearing upon the President's decision as to whether to run again in 1956.

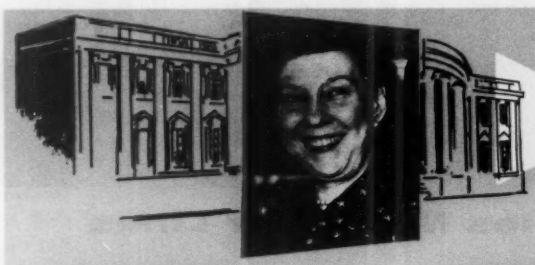
Strain of White House. The real story, however, is more one of the environment in which Mrs. Eisenhower lives and the social strains to which she is subjected than of her health. In general, Mrs. Eisenhower's health is pretty good. But she needs plenty of rest and the White House atmosphere gives little chance for that. And every time she tries to rest she stirs up another rumor.

The social load and physical strain imposed on the wife of the President steadily are increasing. As First Lady, Mrs. Eisenhower gets dozens of demands each week for her presence. She is a public figure, expected to preside over charity affairs, receive guests by the thousands and help to win votes for her husband.

Mrs. Eisenhower lives in a public park. Thousands of strangers go sightseeing through her home five days of the week, many of them hoping for a look at "Mamie." At times, she is expected to stand for hours in receiving lines, shaking hands with strangers, exuding charm to all comers. When she gets tired, people talk; when she trims down her schedule, they spread rumors.

Rest at Gettysburg. Officially, when Mrs. Eisenhower spent three weeks at the new home she and the President are establishing near Gettysburg, she was doing some last-minute decorating jobs. Actually, she was getting some rest and recuperating from a virus attack which lingered on because she is allergic to some of the new miracle drugs.

Moreover, this was at the Easter season. From 7,000 to 10,000 persons a day were jamming their curious way through the White House. And on Easter Monday, 17,000 children and parents crowded into the grounds, rolling eggs in a quaint Washington tradition. It was not a quiet place.



A TYPICAL BUSY WEEK FOR THE FIRST LADY

MONDAY

1 p.m. Attends luncheon in her honor at Fort Meade, Md.

4 p.m. Receives women's committee planning charity drive.

8:30 p.m. Joins friends for evening at the theater.

TUESDAY

11 a.m. Receives delegation from service group at White House.

1 p.m. Attends fashion show and luncheon for charity.

7 p.m. Dines with the President and group of friends.

WEDNESDAY

11 a.m. Visits with group of foreign students at White House.

5 p.m. Greets 1,500 members of patriotic group at White House tea.

8 p.m. Attends state dinner for visiting prime minister.

THURSDAY

11 a.m. Receives delegates to young people's meeting at White House.

1 p.m. Attends luncheon honoring wife of visiting prime minister.

8 p.m. With the President, goes to formal dinner at foreign embassy.

FRIDAY

1 p.m. Attends luncheon given by Republican women's organization.

4 p.m. Gives reception for delegates to women's convention being held in Washington.

SATURDAY

In the morning, catches up on correspondence.

In the afternoon, drives with the President to Eisenhower farm near Gettysburg, Pa.

SUNDAY

Enjoys a day of rest. Drives back to Washington with the President in the afternoon to face another round of engagements the following week.

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The fact that Mrs. Eisenhower was at Gettysburg, away from the crowds, stirred new reports that her health was bad. Presence of a physician at Gettysburg helped to feed the rumors.

On April 24, Mrs. Eisenhower came back to Washington. During the week after her return, she gave a luncheon for all the wives of Senators and a tea for all the wives of Representatives. She welcomed them with her usual smile.

A friend reported that the luncheon for Senate wives left Mrs. Eisenhower exhausted. She went to bed immediately afterward and also rested the following day. The next day she shook hands with almost 500 at the tea. Weak from her recent virus attack, she cut short her visiting and went to her room.

Rumors spread. About 36 hours later, the White House issued a statement that Maj. Gen. Howard McC. Snyder, the President's physician, had directed Mrs. Eisenhower to cut some of her social engagements for the next week. This released the First Lady from four arduous affairs, but it multiplied the rumors about her health.

First on the list of cancellations was a tea at the British Embassy, with a tour of the Embassy. It was a charity affair. Tickets had been sold on the promise that Mrs. Eisenhower would be there. More than 2,000 women expected to meet and

(Continued on page 48)

How Is Mamie? Ike Says This—

"Now with respect to Mrs. Eisenhower's health, I would say that her general health for the past two years has probably been better than normal if we go back for a period of the last 10 years.

"She did have a very serious virus infection a good many weeks ago, and it seemed impossible for her to throw it off. She also had an allergy to some of these drugs that some of the rest of us can take without any great difficulty, and it has been a real problem for the doctors to bring her back to her accustomed state of health.

"Now, that is the situation. She is, of course, not as robust and strong as some people, but she is a good healthy person, I think, in the general meaning of that word."

—President Eisenhower, at his press conference, May 4, 1955; statement authorized for direct quotation.

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[*continued*] **WHY MAMIE "TAKES IT EASY"**

shake hands with her. They had flocked in from neighboring States.

The tea was set for 4 p.m. It was 1 p.m. when the White House called to inform the group that Mrs. Eisenhower would not be there, that she was ill. The news was very disturbing to those sponsoring and attending the tea. One of the officials of the affair says: "Some of the women were practically wild; they wanted their money back."

There also were a luncheon and a "brunch" on the schedule, each of which called for handshaking, as well as a church fair, attended by thousands. Mrs. Eisenhower felt much like anyone else facing the prospect of four or five hours

–United Press

DR. HOWARD McC. SNYDER
. . . ordered a cut in social events

of handshaking at the tag end of a virus attack. The affairs were trimmed off her list.

There had been considerable pressure to get Mrs. Eisenhower to attend at least two of these affairs. The wife of one of the President's closest friends had helped to persuade her to attend the tea, and Mrs. Eisenhower had been permitted to set the date.

At the church fair, it had been specified that the tiresome job of shaking hands would be cut to a minimum. The White House had stipulated that, if she did come, she would not visit the 45 booths at the fair and shake hands with the proprietors, as First Ladies usually do.

The women had not liked the stipulation; they liked it even less when Mrs. Eisenhower found she could not come.

Invitations at premium. Over the last few months, Mrs. Eisenhower has been trying to get a little more privacy at the White House. Organizations that want a visit from her, or an invitation to the White House have found these much harder to get. She is cutting down on social engagements, imposing various conditions.

Whether or not Mrs. Eisenhower is ill, tempers flare when she turns down an invitation or misses an engagement. Each occasion stirs up a new crop of rumors. While she was at Gettysburg and missed the reception for DAR delegates, word that she would not be there was not well received.

Mrs. Eisenhower's last visit with the DAR was in 1953. That year more than 3,200 showed up at the White House for a reception. One White House aide reports: "They wore Mamie out. She shook hands with as many as she could, and still they were not satisfied."

After this experience, Mrs. Eisenhower tried a new technique. When 2,375 women of the Oriental Shrine showed up to pay their respects, she stood behind an iron railing on a White House staircase and waved as the reception line went past. There was no handshaking. The women let the White House know that they did not approve of such a welcome.

So Mrs. Eisenhower decided to have fewer receptions and fewer engagements, as the only sure-fire way of getting rest.

Easy for Ike. Meeting people, shaking hands, being friendly to strangers, all these are essential parts of the work of a politician and his wife. Mr. Eisenhower falls into the part easily. Mrs. Eisenhower likes her friends. She enjoys parties. But she does not enjoy the tiresome job of having to sparkle all the time.

For years, Presidents and their wives have found the work troublesome. Mrs. George Washington complained about the strangers who invaded her drawing rooms. Andrew Jackson found his inauguration crowd so boisterous that he slipped out and went to a hotel for privacy.

The Franklin D. Roosevelts, great entertainers though they were, seized upon the excuse of the war to abolish formal entertaining at the White House. Mrs. Harry Truman welcomed the end of her husband's term so that she could get back to private life.

Mrs. Eisenhower, finding the work of hostess burdensome, comes closer to fitting into the pattern of most First Ladies than to being an exception. It is hard work to shake hands with and smile at several thousand women in an afternoon. And she trims down her schedule when she can. But women keep insisting that she accept invitations—and they talk when she does not.

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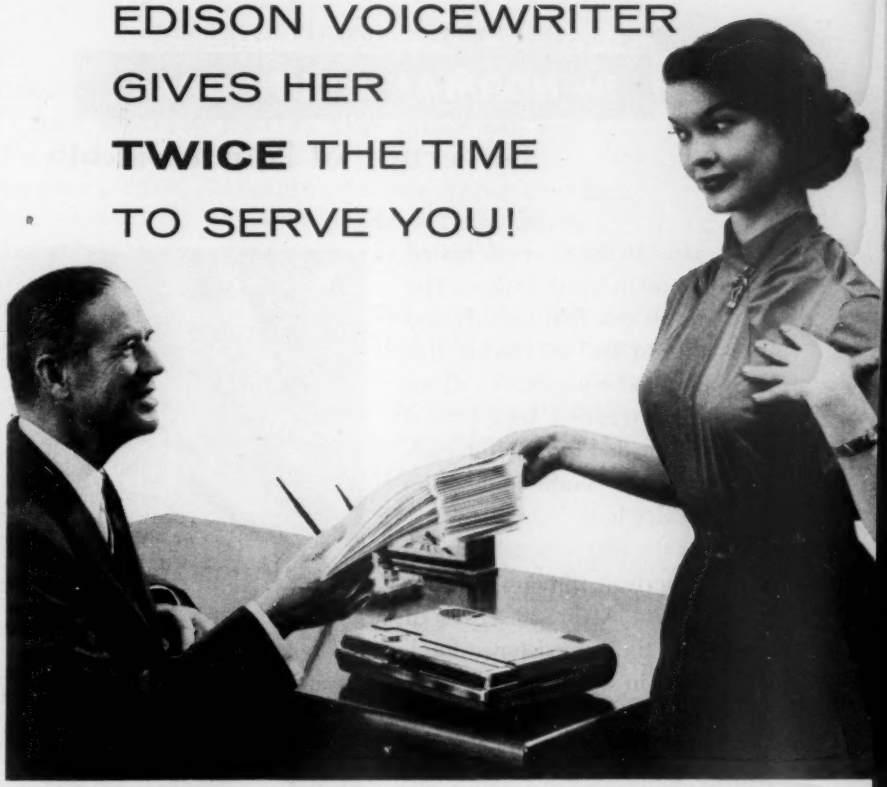

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The social load and physical strain imposed on the wife of the President steadily are increasing. As First Lady, Mrs. Eisenhower gets dozens of demands each week for her presence. She is a public figure, expected to preside over charity affairs, receive guests by the thousands and help to win votes for her husband.

Mrs. Eisenhower lives in a public park. Thousands of strangers go sightseeing through her home five days of the week, many of them hoping for a look at "Mamie." At times, she is expected to stand for hours in receiving lines, shaking hands with strangers, exuding charm to all comers. When she gets tired, people talk; when she trims down her schedule, they spread rumors.

Rest at Gettysburg. Officially, when Mrs. Eisenhower spent three weeks at the new home she and the President are establishing near Gettysburg, she was doing some last-minute decorating jobs. Actually, she was getting some rest and recuperating from a virus attack which lingered on because she is allergic to some of the new miracle drugs.

Moreover, this was at the Easter season. From 7,000 to 10,000 persons a day were jamming their curious way through the White House. And on Easter Monday, 17,000 children and parents crowded into the grounds, rolling eggs in a quaint Washington tradition. It was not a quiet place.

A TYPICAL BUSY WEEK FOR THE FIRST LADY

MONDAY

1 p.m. Attends luncheon in her honor at Fort Meade, Md.

4 p.m. Receives women's committee planning charity drive.

8:30 p.m. Joins friends for evening at the theater.

TUESDAY

11 a.m. Receives delegation from service group at White House.

1 p.m. Attends fashion show and luncheon for charity.

7 p.m. Dines with the President and group of friends.

WEDNESDAY

11 a.m. Visits with group of foreign students at White House.

5 p.m. Greets 1,500 members of patriotic group at White House tea.

8 p.m. Attends state dinner for visiting prime minister.

THURSDAY

11 a.m. Receives delegates to young people's meeting at White House.

1 p.m. Attends luncheon honoring wife of visiting prime minister.

8 p.m. With the President, goes to formal dinner at foreign embassy.

FRIDAY

1 p.m. Attends luncheon given by Republican women's organization.

4 p.m. Gives reception for delegates to women's convention being held in Washington.

SATURDAY

In the morning, catches up on correspondence.

In the afternoon, drives with the President to Eisenhower farm near Gettysburg, Pa.

SUNDAY

Enjoys a day of rest. Drives back to Washington with the President in the afternoon to face another round of engagements the following week.

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The fact that Mrs. Eisenhower was at Gettysburg, away from the crowds, stirred new reports that her health was bad. Presence of a physician at Gettysburg helped to feed the rumors.

On April 24, Mrs. Eisenhower came back to Washington. During the week after her return, she gave a luncheon for all the wives of Senators and a tea for all the wives of Representatives. She welcomed them with her usual smile.

A friend reported that the luncheon for Senate wives left Mrs. Eisenhower exhausted. She went to bed immediately afterward and also rested the following day. The next day she shook hands with almost 500 at the tea. Weak from her recent virus attack, she cut short her visiting and went to her room.

Rumors spread. About 36 hours later, the White House issued a statement that Maj. Gen. Howard McC. Snyder, the President's physician, had directed Mrs. Eisenhower to cut some of her social engagements for the next week. This released the First Lady from four arduous affairs, but it multiplied the rumors about her health.

First on the list of cancellations was a tea at the British Embassy, with a tour of the Embassy. It was a charity affair. Tickets had been sold on the promise that Mrs. Eisenhower would be there. More than 2,000 women expected to meet and

(Continued on page 48)

How Is Mamie? Ike Says This—

"Now with respect to Mrs. Eisenhower's health, I would say that her general health for the past two years has probably been better than normal if we go back for a period of the last 10 years.

"She did have a very serious virus infection a good many weeks ago, and it seemed impossible for her to throw it off. She also had an allergy to some of these drugs that some of the rest of us can take without any great difficulty, and it has been a real problem for the doctors to bring her back to her accustomed state of health.

"Now, that is the situation. She is, of course, not as robust and strong as some people, but she is a good healthy person, I think, in the general meaning of that word."

—President Eisenhower, at his press conference, May 4, 1955; statement authorized for direct quotation.

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[*continued*] **WHY MAMIE "TAKES IT EASY"**

shake hands with her. They had flocked in from neighboring States.

The tea was set for 4 p.m. It was 1 p.m. when the White House called to inform the group that Mrs. Eisenhower would not be there, that she was ill. The news was very disturbing to those sponsoring and attending the tea. One of the officials of the affair says: "Some of the women were practically wild; they wanted their money back."

There also were a luncheon and a "brunch" on the schedule, each of which called for handshaking, as well as a church fair, attended by thousands. Mrs. Eisenhower felt much like anyone else facing the prospect of four or five hours

–United Press

DR. HOWARD McC. SNYDER
. . . ordered a cut in social events

of handshaking at the tag end of a virus attack. The affairs were trimmed off her list.

There had been considerable pressure to get Mrs. Eisenhower to attend at least two of these affairs. The wife of one of the President's closest friends had helped to persuade her to attend the tea, and Mrs. Eisenhower had been permitted to set the date.

At the church fair, it had been specified that the tiresome job of shaking hands would be cut to a minimum. The White House had stipulated that, if she did come, she would not visit the 45 booths at the fair and shake hands with the proprietors, as First Ladies usually do.

The women had not liked the stipulation; they liked it even less when Mrs. Eisenhower found she could not come.

Invitations at premium. Over the last few months, Mrs. Eisenhower has been trying to get a little more privacy at the White House. Organizations that want a visit from her, or an invitation to the White House have found these much harder to get. She is cutting down on social engagements, imposing various conditions.

Whether or not Mrs. Eisenhower is ill, tempers flare when she turns down an invitation or misses an engagement. Each occasion stirs up a new crop of rumors. While she was at Gettysburg and missed the reception for DAR delegates, word that she would not be there was not well received.

Mrs. Eisenhower's last visit with the DAR was in 1953. That year more than 3,200 showed up at the White House for a reception. One White House aide reports: "They wore Mamie out. She shook hands with as many as she could, and still they were not satisfied."

After this experience, Mrs. Eisenhower tried a new technique. When 2,375 women of the Oriental Shrine showed up to pay their respects, she stood behind an iron railing on a White House staircase and waved as the reception line went past. There was no handshaking. The women let the White House know that they did not approve of such a welcome.

So Mrs. Eisenhower decided to have fewer receptions and fewer engagements, as the only sure-fire way of getting rest.

Easy for Ike. Meeting people, shaking hands, being friendly to strangers, all these are essential parts of the work of a politician and his wife. Mr. Eisenhower falls into the part easily. Mrs. Eisenhower likes her friends. She enjoys parties. But she does not enjoy the tiresome job of having to sparkle all the time.

For years, Presidents and their wives have found the work troublesome. Mrs. George Washington complained about the strangers who invaded her drawing rooms. Andrew Jackson found his inauguration crowd so boisterous that he slipped out and went to a hotel for privacy.

The Franklin D. Roosevelts, great entertainers though they were, seized upon the excuse of the war to abolish formal entertaining at the White House. Mrs. Harry Truman welcomed the end of her husband's term so that she could get back to private life.

Mrs. Eisenhower, finding the work of hostess burdensome, comes closer to fitting into the pattern of most First Ladies than to being an exception. It is hard work to shake hands with and smile at several thousand women in an afternoon. And she trims down her schedule when she can. But women keep insisting that she accept invitations—and they talk when she does not.

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After 29 years of searching...

Oilmen Open New Frontier in North Dakota

by NORMAN BRUNSDALE,

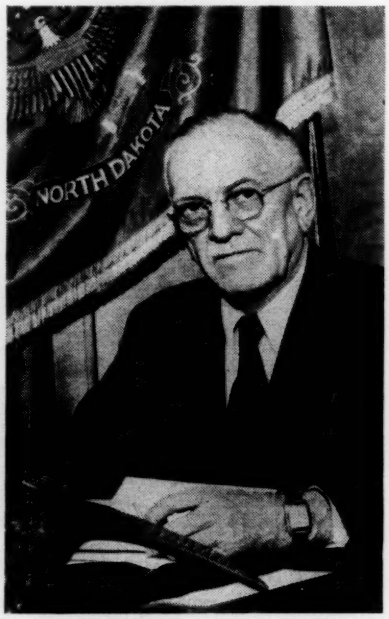
Governor of North Dakota

For almost 30 years I heard about oil in North Dakota. The only trouble was that nobody had been able to find it. During this time many oil companies and individual operators had leased land and drilled wells. But each attempt failed—ending always in a costly "dry hole."

That's the first lesson I learned about American oilmen—they just won't quit! After 29 years of searching, their persistence finally paid off in the spring of 1951. An oil company brought in a successful well near Tioga in Williams County. North Dakota had become America's 27th oil-producing state.

Right away, scores of companies, large and small, began to compete for drilling rights throughout the state. The competition was terrific—in no time at all, over half of North Dakota's farmland was leased to various oil companies.

Widely-spaced derricks soon began to dot our wheat fields. And today, only 4 years after the first discovery, North Dakota boasts 3 major fields and 19 small fields. These fields have already contributed over 13 million barrels to America's oil supplies.



Norman Brunsdale has been governor of North Dakota since 1951—the year oil was discovered in his state. He has been able to observe first-hand how America's oilmen open a new frontier—how oil discoveries affect a state and its people.

* * *

Oil has been good to our state. It has given us a "second crop." Before oil, our prosperity depended on how the weather treated the wheat. Now oil lease and production revenues give our farmers more security—even during bad wheat years. Actually, all Americans benefit from the North Dakota oil discoveries, because our oil fields promise to make a sizable contribution to future U. S. oil reserves.

Strangely enough, oilmen have benefited least from North Dakota's oil. That's because, out of the 295 "wildcat" wells drilled in unproven areas, *only* 22 were oil producers—the other 273 were "dry holes." To date, oil companies have invested over 200 million dollars in our state. I know that it will be a very long time before they realize a profit on that huge investment.

But oilmen accept the tough odds inherent in their business because they know that, under America's competitive system, profits can be made if a reasonable amount of success is attained.

If you want powerful proof of how well this competitive business system of ours works, just remember the oil industry's fine record in North Dakota.

This is one of a series of reports by outstanding Americans who were invited to examine the job being done by the U. S. oil industry. This page is presented for your information by The American Petroleum Institute, 50 West 50th Street, New York 20, N. Y.

Worldgram®

FROM THE CAPITALS OF THE WORLD

LONDON....KARACHI....NEW DELHI....ROME....

>> It's an open secret in London that Prime Minister Eden and the Conservative Party are "running scared." They suddenly realize that Labor can win.

In a bid for votes on Election Day, May 26.....

Top-level talks by Eisenhower, Eden, Bulganin are now urged by Eden.

A sales tax, once thought essential, has been wiped off the books.

Both moves are reversals of positions Eden formerly held very firmly.

>> It used to be Churchill's idea to have talks "at the summit," gatherings of top men of U.S., Britain and Soviet Russia, in vague hopes they might agree.

Eden, in the past, privately disapproved such talks. He thought they might do more harm than good. He preferred less spectacular diplomatic methods.

But now, with the unexpected Soviet concessions on Austria, and with Labor hot on his heels, Eden sees a good deal of merit in Churchill's idea.

>> Eden's tax concession, similarly, has political overtones.

Couple of weeks ago, the Conservative Government budgeted a 50 per cent cut in a textile-sales tax, to help Lancashire's distressed textile industry.

Overnight, Conservatives learned the cut didn't satisfy Lancashire. Besides, some Lancashire districts can be won or lost by a handful of votes.

So Eden, in an unexpected move, abolished the tax altogether.

>> There's this basis for Eden's fear of a Labor victory:

Laborite attacks on U.S. are proving popular. Attacks on U.S. H-bomb tests are particularly popular. Many Britons are uneasy about these tests.

A whispering campaign, built around the death of a Japanese fisherman, is being used to spread the idea that the "fall-out" from H-bomb tests may yet wipe out the human race.....U.S. tests, that is. No mention of Soviet tests.

A pledge to oppose further U.S. tests seems to be winning votes for Labor. It's a hot issue for Eden to handle, with both U.S. and Britain making H-bombs.

>> Odd thing about this Labor upsurge is that Britain, under Conservatives, is enjoying a rather lush prosperity. More people are living better than ever before. It's true food prices are up. But so are wages.

Fear of war, and of the H-bomb, are therefore about as promising an issue as the Laborites can find. They hammer away at the danger of war over Formosa, urge a United Nations seat for Communist China, warn of U.S. recklessness, and recall how Clement Attlee, when Prime Minister, restrained U.S. in Korea.

Attlee, Labor promises, if put back into power, will again restrain U.S., reduce world tension, also shorten military service for the youth of Britain.

(over)

One thing left unsaid is whether a Labor Government would also ask the U.S. to remove its big bombers from those bases in Britain.

Labor's peace talk, as it is, is forcing concessions out of Eden, making a very close race out of what had looked like a Conservative landslide.

>> To understand why U.S. worries about a Pakistan-Afghanistan war.....

Pakistan, military ally of U.S. and of Turkey, is vital to defense of both Middle East and South Asia. Afghanistan, between Pakistan and Soviet Russia, is a logical invasion route whenever Russia chooses to move south.

Moscow, wooing the Afghans, has numerous agents in the area and seems to be financing the Afghan campaign against Pakistan. A war could give Moscow an excuse for moving south, at the least put strain on U.S.-sponsored defenses.

>> What's behind the Afghan-Pakistani dispute is this:

Seven million tribesmen live in a mountainous area that Pakistan claims, but which Afghanistan--and Moscow--say ought to be independent.

Independence, however, would rob Pakistan of control over key approaches.

U.S., keeping hands off, just hopes the fuss will blow over without a war.

>> In most of South Asia, actually, the struggle between U.S. and Soviet Russia is veering away from open warfare. It's a struggle now to see which big power can win over the neutrals by giving them loans, grants, technical aid.

In far-off Afghanistan, for example.....

Soviet loans and technicians are helping the Afghans pave the streets of Kabul, their capital, build pipelines, a grain-storage plant and a bakery.

U.S. aid is going into a couple of big power and irrigation dams.

From U.S., Afghans are getting over 40 million dollars, mostly in loans.

From Soviet bloc, Afghans are getting 13 million dollars, all in loans.

Soviet advantage, however, is that Afghans can see newly paved streets, new pipelines, a new bakery. U.S. aid, far more basic, isn't as obvious.

>> India, another neutral, is also enjoying this U.S.-Soviet competition.

U.S. has a record of loans, grants, technical aid to India going back for several years. U.S. wheat, U.S. railroad equipment, U.S. experts are familiar sights in India. Russia, alarmed at this, is wooing India with a steel plant, for a price, and offering to build a machine-tool plant as well.

Now, more from U.S. is in sight. A big chunk of the new U.S. foreign-aid money is to go to South Asia. India's Nehru, recalling how Europe organized to get Marshall Plan aid, is organizing Asians along similar lines.

Soviet aid to Asia is small stuff, compared with U.S. outlays, but even a few rubles seem to yield Moscow a rich dividend in propaganda.

Asia's neutrals, for their part, are quite willing to encourage this kind of U.S.-Soviet competition. As they see it, it pays to be neutral.

>> In Rome, Pope Pius XII has found a way to break up the Communist monopoly of May Day, a labor holiday that Moscow usually turns to its advantage.

The Pope's counteroffensive is to declare that May 1 is to be a religious feast day, honoring labor and St. Joseph, patron saint of workingmen.

May-day demonstrations in European cities, as a result, can now take form of religious parades and festivals, leaving Moscow out in the cold.

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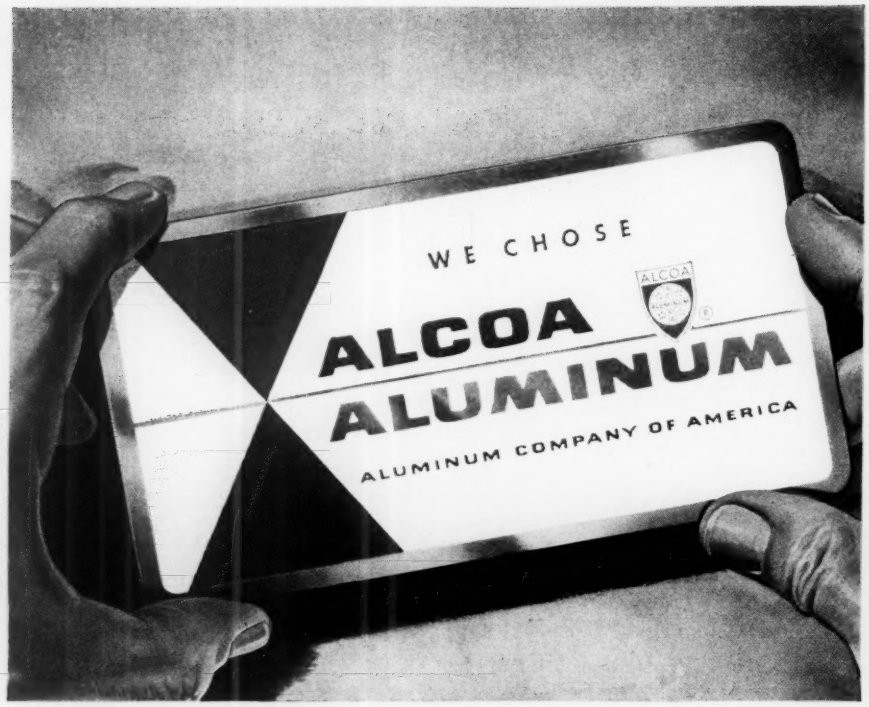

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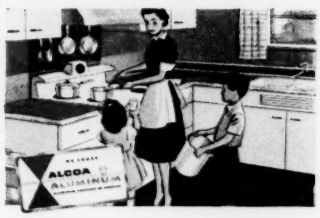

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THE CASE OF JOHN PETERS: TEST OF SECURITY PROGRAM

Should the Government be forced to reveal its informers when firing a worker on security grounds? Is a worker entitled to what amounts to a formal trial before being let out of his job?

The Supreme Court is being asked to decide these and other questions in the case of Dr. John Punnett Peters, Yale professor.

The decision in this case can result in a breakdown of the whole procedure of Government for protecting itself against possible subversives. Stakes are big.

What the argument is all about, together with the record of Dr. Peters that led to his loss of Government work—when put into focus—shows why this case is being fought so hard.

Dr. John Punnett Peters, Yale professor, was dismissed in June, 1953, as a part-time consultant to the Surgeon General of the U. S. Dismissal followed a Loyalty Review Board finding that there was a "reasonable doubt" as to his loyalty.

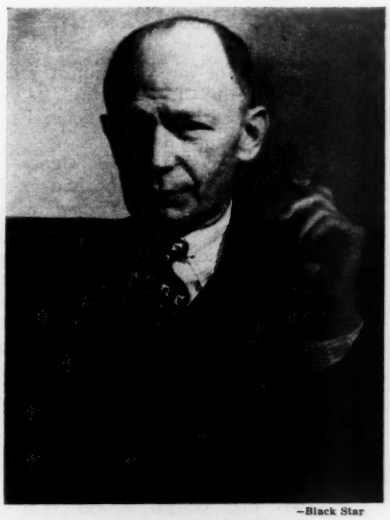
Dr. Peters took his case to court, claiming that his constitutional rights had been violated. It is this case, just argued before the Supreme Court, that law-enforcement officials regard as endangering the entire machinery for keeping disloyal persons out of the Government.

The Supreme Court is being asked to rule that any individual who faces charges on security or loyalty grounds must be given the right to a hearing in which he can face his accusers. At present the accused employe has a right to answer charges, to have a hearing by an independent loyalty board, and a review by the head of the agency in which he works. In the case of Dr. Peters, it was a Loyalty Review Board that found against him after he twice had been cleared by the Public Health Service.

If Dr. Peters wins his case in the Supreme Court, the effect will be deep for this reason: In that event the Federal Bureau of Investigation no longer will serve as the heart of the machinery for uncovering persons who are believed to be security risks. The reason is that the FBI feels it cannot function without a system of secret informants of the kind used by all police organizations. If required to expose its informants and confidential reports upon demand of any person about to lose his Government job, the FBI feels its effectiveness would be nullified in the security field.

How system works now. Secrecy is maintained throughout the loyalty and security procedures. This is partly to protect the reputation of the individual, partly to protect the Government's detective system. The accused individual is given the charges in specific detail, but is not given all the facts on which they are based, and he is not told the names of all the informants. He is free to make public the record of the hearing, if he wishes. The Government cannot make public this record nor any other information about the case.

Some of the Supreme Court Justices expressed amazement that they were not to be given the complete facts in Dr. Peters's case, so they could decide for themselves whether or not the Government was justified in withholding the information from Dr. Peters. At the hearing on April 19, they were told by Assistant Attorney General Warren E. Burger that "it would take a presidential order to release that information" to anyone outside the executive branch of the Government.



—Black Star

DR. JOHN P. PETERS
. . . took his case to court

Many of the facts, however, about Dr. Peters's activities and interests—such as loyalty boards examine—are a matter of public record and will be summarized in this report. Much of the material has been published from time to time by committees of Congress. Much has appeared in the Communist newspaper, the *Daily Worker*, and other publications. Some of it comes from publicly circulated letterheads and pamphlets.

There were 16 charges against the Yale professor in the action that led to his dismissal. Among them were charges that he was a member of the Communist Party and had associated with Communists or their sympathizers.

None of the material summarized here shows that Dr. Peters was a member of the Communist Party. Most of it relates to signatures on petitions, to affiliation with certain organizations that were called "Communist fronts," to sponsorship of gatherings that the Government viewed with suspicion. A Government employe does not have to be a Communist Party member in order to be fired under the security program.

Interest of the Supreme Court Justices in this case was intense. Questioning by Justices took far more time than the lawyers on either side had anticipated. The issue involved is exactly the same as that in the case of Miss Dorothy Bailey. Both she and Dr. Peters con-

[continued]

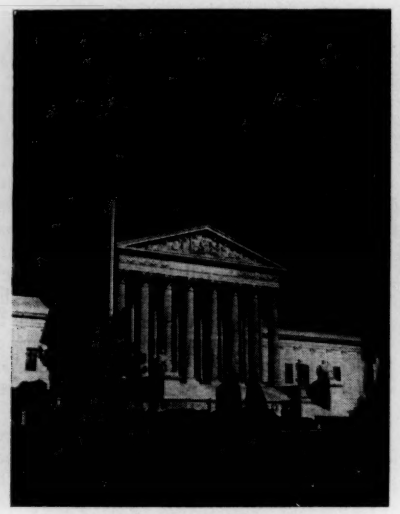
THE CASE OF JOHN PETERS

tended that the failure of the Government to confront them with their accusers was a denial of their right to "due process of law" under the Fifth Amendment to the Constitution.

The Supreme Court in 1949 upheld the dismissal of Miss Bailey from her Government job as a loyalty risk by a vote of 4 to 4. Since then, two new Justices have been added to the Court.

The material on Dr. Peters in which the Supreme Court Justices showed such interest, but which was denied to them, covers a period from the late 1930s to the early 1950s. This is the story that anyone can find by making a check of the publicly available records:

WARREN E. BURGER
. . . spoke for the Government



THE HIGHEST TRIBUNAL
. . . wanted more facts

–United Press, USN&WR, Harris & Ewing

THURMAN W. ARNOLD
. . . attorney for Mr. Peters

Spanish Civil War. During the Spanish Civil War, 1936 to 1939, Dr. Peters had affiliations with three organizations which the House of Representatives Committee on Un-American Activities reported to be Communist fronts.

Dr. Peters is listed as a member of the Medical Committee of the Medical Bureau, American Friends of Spanish Democracy, and as a sponsor of the Medical Aid Division of the Spanish Refugee Relief Campaign.

The Co-ordinating Committee to Lift the Embargo published a booklet listing Dr. Peters as an advocate of its cause. The U. S. Government had embargoed the shipment of arms to Spain, taking a neutral stand in the fight between the forces of Francisco Franco and the Spanish Loyalists. The Loyalists were being strongly supported by the Soviet Union and Communist groups throughout the world.

Hitler-Stalin Pact. While the Hitler-Stalin Nonaggression Pact was in effect, 1939 to 1941, published material discloses, Dr. Peters was a national sponsor of the American League for Peace and Democracy. The League advocated peace, no war with Germany. But, when Hitler attacked Russia in 1941, it abruptly ended its peace campaign and switched to a call for Soviet friendship and understanding. The League was listed as subversive by the Attorney General, and the Committee on Un-American Activities called it "the largest of the Communist 'front' movements in the United States." Its vice president was Earl Browder, general secretary of the Communist Party.

Dr. Peters was among the signers in 1939 of an open letter published in the magazine *Soviet Russia Today,* which was listed by the Committee on Un-American Activities as a Communist front. The letter urged Americans "to stand firmly for close co-operation with the Soviet Union." It warmly praised the Soviet Union for a variety of accomplishments and declared: "The Soviet Union continues as always to be a consistent bulwark against war and aggression, and works unceasingly for the goal of a peaceful international order."

Communist Party and members. In the years just before World War II, Dr. Peters a number of times is found to have joined in appeals on behalf of Communists and the Communist Party.

On the anniversary of the Bill of Rights in 1939, Dr. Peters was among the signers of a public statement protesting that "serious efforts are being made to silence and suppress the Communist Party." It championed the civil rights of Earl Browder and William Z. Foster, Communist leaders.

Some of Dr. Peters's public activities during this period were carried on through the American Committee for Democracy and Intellectual Freedom, in which he was a member of the national committee. This organization, which the Committee on Un-American Activities cited as a Communist front, defended Communist teachers and fought for the abolition of the Committee on Un-American Activities. In 1941, it circulated a public statement, signed by Dr. Peters among others, declaring that the Communist Party was being denied its constitutional rights by those States which refused to permit it to be on election ballots.

Dr. Peters also was listed as a member of the National Federation for Constitutional Liberties, which the Attorney General cited as subversive. It later merged with other organizations to form the Civil Rights Congress, which also was added to the Attorney General's list of subversive organizations.

Among the Federation's activities was the defense of Robert Wood, who was arrested while he was Communist Party secretary for Oklahoma.

The Federation also sent a petition, including Dr. Peters's name, to Governor Culbert Olson of California, urging him to dismiss charges against Sam Adams Darcy, former State Chairman of the Communist Party in Pennsylvania. He had been extradited to California on charges of fraudulent voting registration in that State.

Dr. Peters's name and others appeared on a telegram to the President and the Attorney General in 1940 on behalf of the officers of the International Fur and Leather Workers Union, among whom was Irving Potash, one of the earliest members of the American Communist Party. The men had been convicted of obstructing justice.

Wartime appeals. When Browder was imprisoned for passport fraud, Dr. Peters's name appeared as a sponsor of the National Free Browder Congress, which assembled in New York City in March, 1942.

A Citizen's Committee to Free Earl Browder was formed, and Dr. Peters's name was on a leaflet which it published, appealing to the President to release Browder. This Committee's executive secretary was Elizabeth Gurley Flynn, a top Communist official. The Committee was placed on the Attorney General's list of subversive organizations.

Dr. Peters was one of those who opposed the deportation of Harry Bridges, West Coast labor leader. The Government has taken various legal actions against Bridges, at one time charging him with perjury when he swore he was not a Communist.

Dr. Peters was among persons shown as signers of an open letter to the President which was sent by the Citizens' Committee for Harry Bridges, seeking withdrawal of an order for the deportation of Bridges, who is a native of Australia. Later, Dr. Peters was listed as a sponsor of the Citizens Victory Committee for Harry Bridges.

Dr. Peters showed among the signers of an open letter in the New York *Times* in 1943 which deplored anti-Soviet sentiment in the United States and called for "close co-operation with the Soviet Union and a speedy opening of the Second Front." This letter was published in connection with the announcement of an "Allied Unity Rally."

Dr. Peters was a sponsor of the National Council of American-Soviet Friendship, between 1943 and 1949. This was on the Attorney General's list of subversive organizations. The Committee on Un-American Activities reported that the Council carried on so many activities on behalf of the Soviet Union that it had become "the Communist Party's principal front for all things Russian."

After World War II. Dr. Peters was affiliated with the American Association for Scientific Workers, which was listed as subversive by the Committee on Un-American Activities.

When the Attorney General cited the Jefferson School of Social Science in New York as "an adjunct of the Communist Party," Dr. Peters's name in 1948 appeared with others in an appeal to get the citation retracted. The Committee on Un-American Activities listed Dr. Peters as affiliated with the Jefferson School.

Dr. Peters was listed as one of the signers of a statement published by the Civil Rights Congress in 1947 condemning "the shameful persecution of Gerhart Eisler," the German Communist who was then being held for passport fraud and contempt of Congress.

During the trial of 11 Communist leaders in 1949, Dr. Peters and others sponsored a "Bill of Rights Conference" in New York City. Seven of the Communist defendants took part. It unanimously passed many resolutions, 20 of them condemning the trial and opposing the President's loyalty order and the deportation of persons for political beliefs.

Dr. Peters's name was on a petition to the President in September, 1952, seeking amnesty for the 11 convicted Communist chieftains.

When the Independent Citizens Committee of the Arts, Sciences and Professions was organized, Dr. Peters was shown as an early sponsor and later was on its board of directors. It was listed as a Communist front by the Committee on Un-American Activities.

One of the best-publicized activities of this Independent Citizens Committee was its sponsoring of the Scientific and Cultural Conference for World Peace, held in New York in 1949. Dr. Peters was on the list of sponsors for the conference. A State Department spokesman called that meeting "a sounding board for Communist propaganda." Some of the speakers were openly avowed Communists.

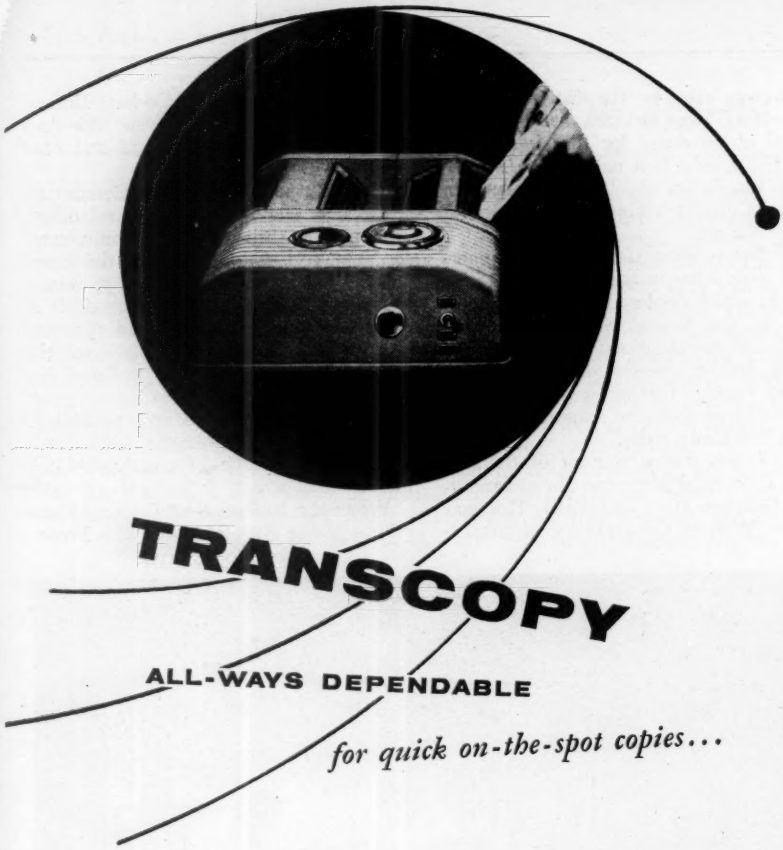
Louis F. Budenz, former managing editor of the *Daily Worker*, said the Independent Citizens Committee was planned originally in his office in the headquarters of the *Daily Worker* Budenz later renounced Communism.

(Continued on page 58)

—USN&WR Photo

GOVERNMENT EMPLOYES

The security program for screening them faces a crucial court test



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[continued] **THE CASE OF JOHN PETERS**

It was also testified at a congressional hearing that the national convention of the Communist Party in 1945 was told in a speech that the party had established the Independent Citizens Committee and that it was considered "of great political import."

While the Soviet Union was waging a "peace campaign" throughout the world, the National Council of the Arts, Sciences and Professions held a spring peace drive, in May, 1952. It issued a public peace appeal, which bore Dr. Peters's name among the signers. This organization was the successor to the Independent Citizens Committee, and, like it, was cited as a Communist front by the Committee on Un-American Activities.

—Wide World

MISS DOROTHY BAILEY
. . . the same issues were involved

That is Dr. Peters's record, so far as it is contained in congressional reports and other public sources.

What Dr. Peters told the Loyalty Review Board in reply to the charges against him cannot be learned, since only he can make public the transcript of the hearing, and he has not chosen to do so.

In the courts, Dr. Peters has based his case entirely on the legal issues.

Dr. Peters's stand. Here are the legal arguments which Dr. Peters, through his attorney, Thurman Arnold, has presented:

"The only issue in this case is whether the Government can stigmatize a citizen as disloyal to his country after a formal hearing without due process of law."

Dr. Peters concedes the Government can legally fire an employe without a

hearing. But, he says, if a hearing is held, it should be a fair one, giving the accused worker the usual legal right to question his accuser, to try to show that he is lying or in error, and to examine all the evidence, with the purpose of showing up any flaws in the case against him.

In his hearing, Dr. Peters pointed out, not even the Board that was judging him had access to all the facts that were in the possession of the Department of Justice. And not even the Board had the right to question the secret informants.

This procedure, Dr. Peters said, is "without minimal guarantees of fairness," and it violated the Fifth Amendment to the Constitution. This Amendment provides that "no person shall be . . . deprived of life, liberty, or property, without due process of law. . . ."

What Government says. The Government's side of the argument, presented by Assistant Attorney General Burger, ran like this:

"Never in our history has it been thought that a Government employe could not be dismissed without a hearing which meets the procedural requirements of the Fifth Amendment."

The Government is continually dismissing employes on charges of accepting bribes, theft, or sex offenses, all without holding hearings, in the sense demanded by Dr. Peters. Persons fired on these grounds have their reputations besmirched, said Mr. Burger, just as persons fired for disloyalty do.

As for the right of "due process" being denied, the Government questioned whether Dr. Peters was in fact denied "due process." There is no specific definition of "due process," said the Government. It is variable, depending on the circumstances, as the Supreme Court has often pointed out. The legal safeguards that are normally used in criminal trials can be omitted if they work harm to national interests, said the Government, citing Supreme Court decisions.

The nation's welfare would be jeopardized, in the view of the Government, if the FBI could be forced to give a full account of its operations in connection with all loyalty hearings. If it had to expose its undercover agents in order to get the results of their investigations on the record, then the FBI might as well close up shop.

Decision to come. The Supreme Court is expected to decide the case before the close of the present session. It might ignore the constitutional questions raised by both sides and decide the case on other issues.

But, if it backs up Dr. Peters's legal arguments, the Government employe-loyalty program as set up by President Truman in 1947 will be a thing of the past.

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Interview with DR. ROBERT H. HOLMES

Director, U. S. Atomic Bomb Casualty Commission

Report From Hiroshima:

LATEST ABOUT AFTER-EFFECTS OF A-BOMB

In Hiroshima, nearly 10 years after the atomic bomb burst—

- **Survivors, for the most part, are leading normal lives now.**
- **The same is true of their children.**
- **The city—once a wasteland—is thriving.**

But what is the real story of the bombed Japanese? Do they still suffer from radiation? Do they have lingering ailments, strange diseases? Are they normal parents?

Since shortly after the bomb fell, American scientists have been making a thorough study of the survivors and their offspring.

In this interview, Dr. Robert H. Holmes, Director of the Atomic Bomb Casualty Commission, tells what these studies show.

Dr. Holmes was interviewed in Hiroshima by Robert P. Martin, a Regional Editor for *U. S. News & World Report*. For a report on the effects of radiation on future generations see the interview with Professor H. J. Muller of Indiana University on page 72.

At HIROSHIMA, Japan

Q Dr. Holmes, how long has the Atomic Bomb Casualty Commission been operating in Japan?

A Well, as you recall, the first A-bomb was dropped on Hiroshima on 6 August, 1945, and three days later the second was dropped over Nagasaki. The war then ended on 14 August. In September of 1945 a Joint Committee for the Investigation of the Effects of the Atom Bomb in Japan made an extensive survey of the early effects of the explosion and recommended to the President of the United States that a commission be established to study the survivors for the possibility of late effects due to radiation. This was approved, and in 1946 the nucleus of the present Commission began its work.

Q Just what does the Atomic Bomb Casualty Commission do?

A Our basic objective is to study the human population in Hiroshima and Nagasaki that survived the two A-bomb explosions, and to determine if there are any late effects of ionizing radiation. If these effects do occur, then their natural history must be determined; that is, how they begin, how they progress, how they affect the individual, and how they end, as well as what happens to future generations. There are other valuable by-product studies, but this is the focus of our effort. We must also establish proper population controls, and this broadens our effort considerably, but this is mandatory in order to render our investigation statistically valid.

Q How long will these studies continue?

A That is difficult to answer. To think in terms of what is perhaps scientifically ideal, the obvious extreme would be to follow the heavily exposed group until deceased, and their offspring until the geneticists were completely satisfied that no more was to be learned. Such a prospectus immediately brings up many other important considerations. For the time being, let me say that the end is not yet in sight. We are in a new age, probably our greatest, face to face with a source of power that must be completely understood in order to be fully utilized. It is urgent that we know in detail the biologic effects of radiation upon mankind so that the luxury of this new age will be evenly balanced by a secure feeling of safety for future generations and peace of mind for ours.

Q What does evidence now available show concerning the effect of an atomic explosion on heredity?

A The genetic effects of atomic radiation on humans must be studied and observed for many years before a dogmatic statement can be made. What we now know is that there have been no significant genetic effects observed *thus far* within the first generation in Hiroshima and Nagasaki; however, this is a problem for prolonged study as to what the eventual effects might be. We do not minimize or magnify the importance. Our attitude is one of patient observation. We shall report to all the world without restriction exactly what we find.

Q How can radiation effects now known be measured against normal conditions? For example, what percentage of the population might be disfigured or abnormal in any area in Japan not affected by the A-bomb?

A By comparison of people who were exposed to radiation with a population that was not exposed. In Hiroshima there are now about 100,000 people who were in the city at the time of the explosion. The remaining population

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In 190,000 Survivors: 100 Cases of Leukemia, Some Mild Eye Cataracts . . . The Next Generation Is Normal

of 225,000 furnishes us our control. We have done no studies on physical abnormalities in cities other than Hiroshima and Nagasaki.

Q What is the reason for the frequent assumption that future generations might be affected more than the first generation?

A Assumption in general can be hazardous and must be checked very carefully by the well-established scientific procedures of unbiased observation, careful recording, and subsequent analysis. As some of these assumptions now stand they could be very misleading. To maintain a strictly scientific attitude all one can state at this time is that knowledge of genetic changes in the human due to radiation must rest entirely on long-continued observations, and any unequivocal prognostications at this time might be just as wrong as they are alarming.

Q Is this because we don't know enough about genetic changes and mutations, or because we don't know enough about the effects of atomic radiation?

A Much is known regarding the genetic effects of radiation on lower animals, but obviously not enough is known conclusively as yet about these effects on the human. We occasionally receive presumptive leads from observations on lower animals, but they cannot always be extrapolated to the human being.

Q How thorough is the study the Commission has made of Hiroshima and Nagasaki survivors?

A We feel that the study thus far has been quite thorough. It naturally requires constant redesign to fit changing circumstances and perhaps change in point of view from various scientific aspects. The program is periodically reevaluated in terms of its objectives and procedures and has as its official advisers a council in the United States called the Committee on Atomic Casualties, selected by the National Academy of Sciences, which represents a collection of our best-qualified scientists in the various fields relative to this type of investigation. ABCC is a field agency of the National Academy of Sciences and is under specific control of Dr. R. Keith Cannan, chairman of the division of medical sciences.

The relationship with the Atomic Energy Commission is a contractual one; however, Dr. John C. Bugher, director of the division of biology and medicine, AEC, is an ex officio member of the Committee on Atomic Casualties.

Q Do you have any figures now that show how many people were in the two cities at the time of the explosions?

A We have this information in the 1947 report of the United States Joint Commission for the Investigation of the Effects of the Atomic Bomb in Japan. This information was compiled jointly by American and Japanese scientists and has furnished our basic data along this line. Roughly, the population of Hiroshima at that time was 255,000, and there are now remaining in the city about 100,000 who were present at the time of the bombing. In Nagasaki there were about 200,000 at the time of the bombing, and there are now about 90,000 of those still living within the city.

Q Does the figure for Hiroshima include the soldiers who were based here at that time?

A That is not an easy question. We do have some information about the soldiers who were present in the city at the time of the bombing, but there is considerable question as to the actual number. This was an Army troop-assembly area and Army headquarters, but so far as I know the actual number of troops present at that time has never been firmly established.

—ABCC

DR. ROBERT H. HOLMES

Q What tests are given to an individual when he first reports to ABCC?

A The individual is given a complete physical examination, with all of the usual laboratory procedures, to establish what the immediate physical status of the person is —whether or not he is suffering from some disease and, if so, whether or not that disease could possibly be related to radiation effect.

Q If you don't have the previous medical case history, isn't it sometimes difficult to determine if any changes are due to radiation?

A Naturally that is true, and lack of previous medical history is frequently a problem. However, we have Japanese doctors, as previously mentioned, and a staff of bilingual

(Continued on next page)

. . . "No genetic changes thus far in the first generation"

interpreters. The history is obtained through them. There is always the difficult problem of trying to relate any specific condition to radiation effect, and that is why our conclusions must be based on both careful statistical analysis and thorough clinicopathologic techniques.

Q How often do you try to repeat these tests on an individual?

A We have tried to maintain a yearly checkup.

Q In case of some particular diseases do you ask the patient to come in more often?

A Yes, a patient may be asked to come in more often, depending on whether or not a disease was observed, and on what type of disease. In any case, we make every effort to learn as much as possible about the patient's condition, and records are kept of these periodic examinations so that the medical history gradually accumulates. It is from these data that we may be able to draw conclusions as to whether or not the disease is due to radiation effect.

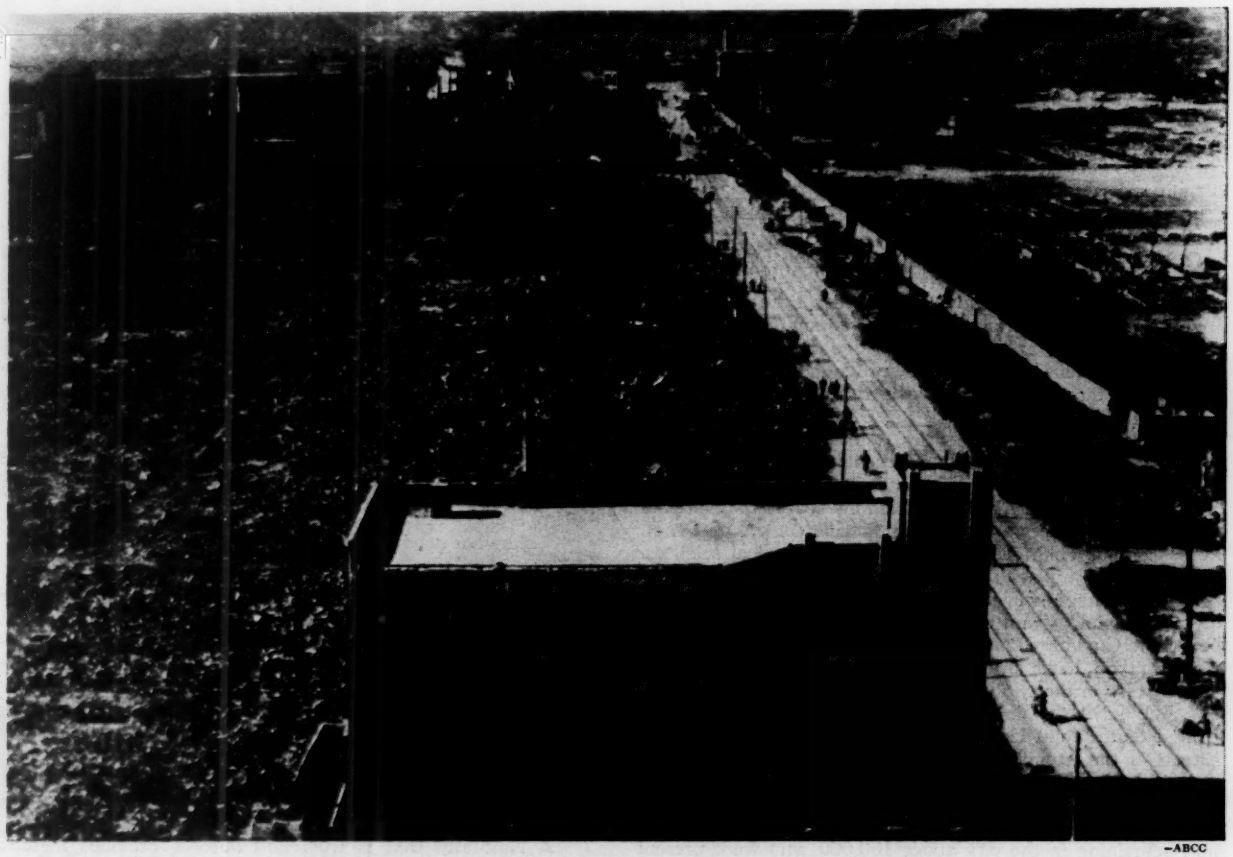
Q Have you discovered any difference in the children born of families in which only one parent was exposed and those born to families in which both parents were exposed?

A I presume you refer to genetic changes and, as I have stated, we have not observed any such effects thus far in the first generation. As to future generations, we must wait and see.

Q Is there any study in the world that is comparable to the one being conducted at ABCC in Japan?

A No, there is no study of a human population such as this on persons exposed to atomic radiation, because, so far as I know, this is the only large population that has received such exposure. Careful studies on the 23 Japanese fishermen exposed to the H-bomb fall-out are being done by the Japanese, of course, and also on the 236 Marshall Islanders by the United States, but these are the only other studies that I know of. As a matter of fact, this is the largest study ever conducted on a human population relative to a genetic problem, and it is a great contribution to medical knowledge whether or not a relationship to radiation effect is considered.

Q Have you any percentage figures on the number of survivors who suffered radiation damage, with early signs and symptoms following the bombing?



—ABCC

HIROSHIMA AS IT LOOKED AFTER A-BOMB BLAST IN 1945

"Our basic objective is to study the human population in Hiroshima and Nagasaki that survived the two A-bomb explosions, and to determine if there are any late effects"

. . . "Many within 2,000 meters did not show radiation effect"

A Yes, we have such figures and they are of critical importance to us. We have data now on roughly 6,000 people in Hiroshima and 2,000 in Nagasaki who were within 2,000 meters [about 2,200 yards] of the hypocenter [point on surface of ground nearest to center of blast] and showed definite signs and symptoms of early radiation effects.

Q How many of these 8,000 people have subsequently died?

A Approximately 500.

Q Is it true that practically everybody within this 2,000-meter radius was exposed to radiation of some type?

A That would depend on the type of shielding that the individual might have had, because we know that certain types of shielding will block radiation in various degree, and, for this reason and others, many of the people within the 2,000-meter radius did not show early signs and symptoms of radiation effect. That does not mean that they did not receive any exposure. It simply means that they did not receive enough to demonstrate this early effect, or that they perhaps were not as susceptible as others. This susceptibility factor is noted quite well among lower animals, and certain knowledge is available regarding differences in susceptibility among humans.

Q What makes one person more susceptible than another?

A This is a profound question and unfortunately I do not have a comparable answer. It is one of the most important gaps in our knowledge on radiation effect.

Q Just in general to a layman, is it the bone structure, the thickness or pigmentation of the skin, or what?

A This is about as difficult to answer as it is to explain why one person has a cold more frequently than another.

Q What was the distance from the hypocenter of the person now living who was closest to the Hiroshima explosion?

A Less than 200 meters—but he was heavily shielded in the basement of a concrete building.

Q Were any of the survivors subjected to radioactive fall-out?

A There has been much discussion about a so-called "black rain" which fell on Hiroshima a short time following

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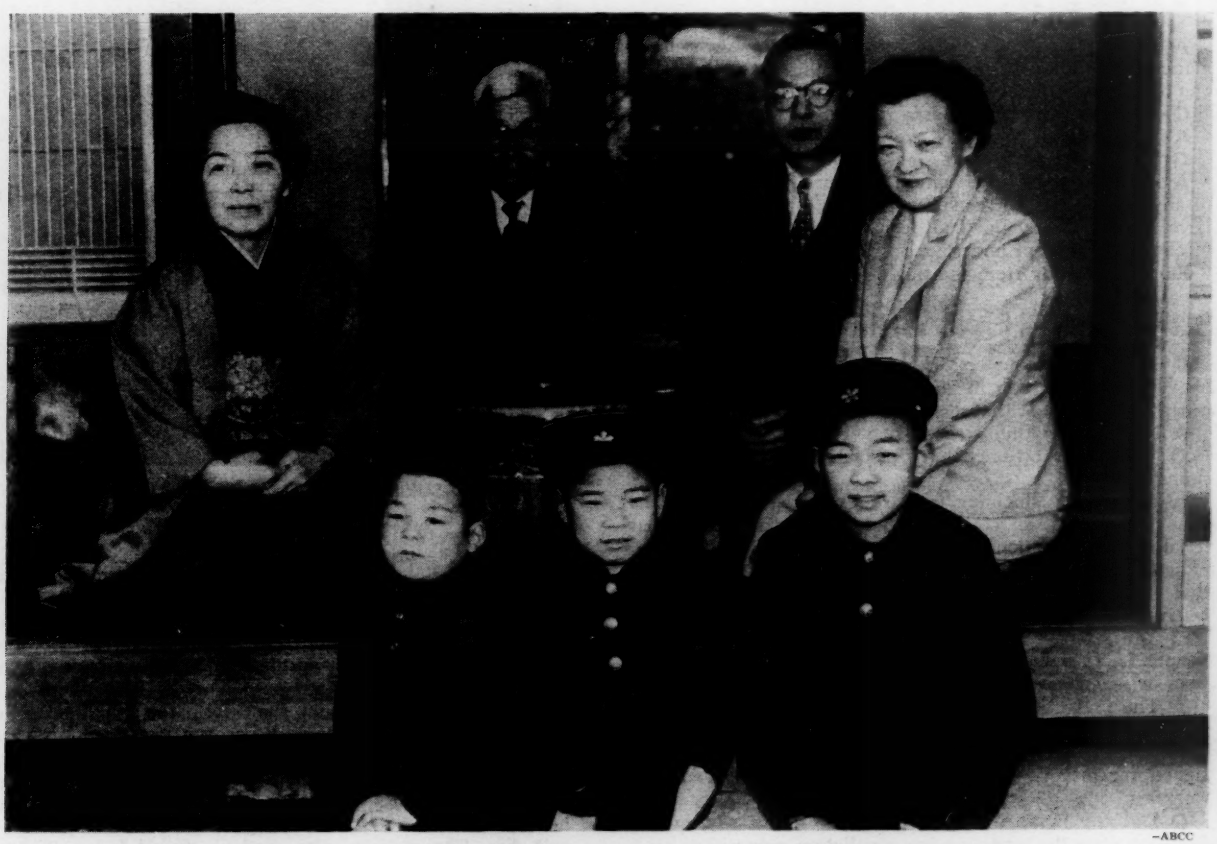


—ABCC

THREE GENERATIONS OF A HIROSHIMA FAMILY

Grandparents are on the left; parents on the right. Boy on right was born before the bombing of Hiroshima; boy in center was *in utero* when A-bomb fell; boy on left was born after the war

. . . Only "15 per cent of deaths due solely to radiation"

the explosion, but there has been no scientific verification, so far as I know, of the nature of this fall-out. It could well have been simply soot and combustion debris from the large fires which followed the explosion.

Q But there was no great earth debris such as was created by the H-bomb test at Bikini?

A That is correct. The bombs at Hiroshima and Nagasaki were both air bursts, and no significant crater effect was observed.

Q Have there been any recorded cases of people living 50 to 100 miles from Hiroshima or Nagasaki suffering from radiation effects due to the explosion?

A I am sure that there has been no such case.

Q Couldn't the soot and rubble and debris you referred to earlier be considered fall-out?

A Certainly, but not as you are probably thinking. It is fall-out in the sense that it is a type of precipitation following an explosion, but this does not imply that it was necessarily radioactive fall-out. The only way this could have been determined was by accurate physical measurements, and we have no specific information on this point. We do know that the Japanese scientists identified certain radioactive materials quite quickly within the city.

Q Is there any real difference in the effects of the fall-out of the A-bomb and the H-bomb?

A I must suggest that this is a question for those who have made such studies for comparison. The difference is largely one of degree in dosage—simply greater or lesser.

Q Have you ever attended an A-bomb test in Nevada?

A Yes, in 1953.

Q What were your impressions at that time?

A I think a test of that nature is naturally quite awesome to anyone. On this particular shot it was the first time, I believe, that human beings had been deliberately placed within close proximity of an explosion. I was in a position about 2,000 meters away from the burst.

SLIT TRENCH AS SHIELD—

Q Two thousand meters? That is the distance for your most heavily exposed group in Hiroshima, isn't it? Were you exposed to radiation at that distance?

A No. I was within a slit trench—I am pleased to recall.

Q Would a slit trench have provided shielding in Hiroshima?

A Almost any shielding is of some value, and earth has been found to be of considerable value as a screening material against radiation. I do not believe that I received any radiation at that distance, and it would be my presumption that similar shielding might have afforded some protection in either Hiroshima or Nagasaki.

Q You referred earlier to protection that prevented some people from suffering radiation. Did you mean buildings, trees or what?

A The protection I was thinking of particularly was provided by the cave-type shelters that were used in Hiroshima and Nagasaki. They were regular-type bomb shelters designed for protection against the then-called "conventional weapons."

Q Did any Japanese who entered Hiroshima, say, one to five days after the explosion incur radiation sickness?

A We do not have any specific data on this problem; however, Dr. Hachiya, a Japanese doctor, states that he did observe a small group of individuals who were workers assisting in the medical care of the casualties some of whom showed what he suspected was mild radiation reaction. I am sure that Dr. Hachiya does not assume a dogmatic attitude on this question, but simply presents his findings in complete honesty for further evaluation.

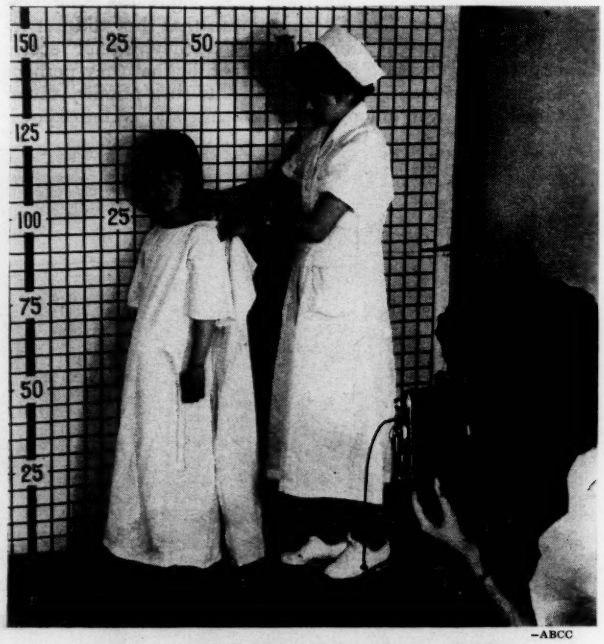
Q As far as you know, did any of these individuals die?

A Not to my knowledge.

Q Were most of the deaths here due to radiation effect or to blast effect?

A They were largely due to blast and thermal effect. Probably no more than 15 per cent were due solely to radiation.

Q How about those who died after the first week or ten days—about a month or six weeks later?



—ABCC

MEASURING THE GROWTH OF A CHILD
"This is a problem for vigilant observation"

A Actually, almost all of the deaths due to radiation occurred between the third and sixth week.

Q Did the Japanese suffering from superficial burns and who also received radiation recover completely?

A Yes. Recovery has been the rule, but there remain some scars and disfigurement.

Q Did this disfigurement come from the radiation?

A Not necessarily. Thermal burns alone would be just as likely to cause it.

Q Did any of the Japanese who suffered severe burns, blast and radiation actually recover to something like normal health?

A Yes. There are survivors who suffered from all three effects, blast, thermal heat and radiation, and most of them are now going about their daily work in an apparently normal

manner. However, there are some who have variable degrees of disability and complaints of lowered vitality. I do not wish to imply that there may or may not be an increase in the incidence of inapparent, low-grade or chronic disease, perhaps the so-called "A-bomb disease," as it is referred to by the survivors. This will require complete morbidity studies on a fairly large portion of the exposed population with suitable controls among the unexposed. This problem is under consideration now and will perhaps receive close investigation in the near future.

Q Did those who suffered from severe blast effect also suffer from radiation?

A Separation at close distances of these two factors is most difficult, but it is well known that the radiation potential falls off very rapidly. In general, those individuals beyond 2,000 meters suffered little radiation effect, whereas blast effect was observed beyond that distance. This does not clearly indicate that light exposure to radiation did not exist beyond 2,000 meters and, for that reason, a portion of our study considers the possibility of a lightly exposed group beyond 2,000 meters but less than 5,000 meters.

Q It is true then, is it not, that in some ways the area 2,000 to 5,000 meters is also an important group for your study?

A In terms of control, yes; however, the probability of radiation effect at that distance is slight. Those individuals within or somewhat beyond 2,000 meters who did not show signs and symptoms of early radiation reaction might have experienced some exposure which was within the maximal permissible dosage and therefore followed by apparent full recovery. Shielding data are quite important in any evaluation of dosage, and knowledge of the distance alone is not enough.

Q Have survivors in the 10 years since the exposure suffered many side effects such as cancer, kidney or liver ailments, heart trouble, or blood-vessel damage?

A Such studies on degenerative disease and neoplasia are continuous, and a definite statement must await further study and longer duration. The natural incidence of neoplasms, or a possible increase in the incidence, will require many long years of study to establish, perhaps a lifetime of observation. Ten years is a short time in which to supply this answer.

EFFECT ON CHILDREN—

Q Are there cases in which both parents in a family suffered severe radiation injury?

A Yes.

Q In these cases, what kind of children have they had?

A As stated before, we have not observed any evidence of significant radiation effects in the first generation.

Q There have been reports that children born of mothers exposed within the 2,000-meter area were defective—is this true?

A Yes. This report has been made and it involves a very small group of children. The mothers were pregnant at the time of the explosion, and the pregnancy was of less than five months' duration. This represents a developmental defect *in utero* and is not a genetic defect.

Q How many children of that type have been born here?

A The specific defect which I think you have reference to is microcephaly, or children with heads slightly smaller than normal. This condition occurs spontaneously at times without any relationship to radiation. However, we have a small group, only 15, who showed such a physical defect as well as some degree of mental retardation. This number was originally reported as 8, but a survey just completed has revealed 7 other cases. It should be emphasized that these were children born of pregnant mothers whose pregnancy was within the seventh to about the fifteenth week, or the first four months of the pregnancy. One pregnancy was at 22 weeks and another at 24. These two showed less reduction in head size. I believe all the cases have now been observed.

Q Was the damage that produced this defect to the uterus or to the fetus?

A The damage was to the fetus.

LATER BIRTHS NORMAL—

Q Did any of those mothers give birth to children subsequently, and were they normal or abnormal?

A Yes. We know that six of these mothers have borne completely normal children subsequently and that several of the mothers are now beyond the child-bearing period. There is no reason, on the basis of present knowledge, why subsequent children would not be as normal as those from mothers who were not pregnant when subjected to radiation.

Q Was there an unusually high proportion of physical abnormalities among the children born of parents both of whom had been exposed?

A No. The significant finding, as previously stated, is the small group of microcephalics. That has been the most significant observation concerning physical abnormalities and, may I repeat, this is not a genetic defect.

Q Would the effect of radiation from an H-bomb be different from the effect experienced here?

A The two circumstances are not exactly parallel. In general, it can be said that radiation from whatever source has similar characteristics, but not necessarily equivalent. It is a matter of intensity or dosage.

Q Are most of these children normal, happy, companionable and well adjusted?

A So far as we know the children do appear happy and well adjusted and, with the exception of the cases just mentioned, have shown no additional developmental defects.

Q Have you noticed any unusual personality deviations among children born of exposed parents?

A No, we have not.

Q Has your opportunity been great enough to observe any personality difficulties?

A We feel that our opportunity for study of these children has been reasonably satisfactory. However, the observations must continue and they must be made under all the varying circumstances of life—and perhaps death.

Q What really is all this talk about radiation doing something to the genes?

A This has been discussed before, but in the simplest terminology possible the genes are certain factors within the chromosomes of the body cells which control our hereditary characteristics. If something happens to alter one or more of these genes then the probability of obtaining a defect is increased.

(Continued on next page)

. . "Usually fertility returns with general health"

Q Isn't it true that any high-energy radiation causes mutation?

A Yes, that is true, but one should say "capable of causing a mutation." The mutation does not have to occur simply because the exposure did.

Q Are these mutations permanent?

A This question should go to an expert geneticist; however, as far as I know, mutations are permanent.

Q If the children born in Hiroshima and Nagasaki since 1945 are normal, is there any basis to assume that their children or grandchildren might be different?

A I have stated before, and I must stand firm on this, that it is quite hazardous to make presumptions applicable to future generations of human beings when our basic data are incomplete.

Q So far as fall-out is concerned, are you encouraged by the results of your studies?

A We have no experience in the study of fall-out phenomena among the Hiroshima and Nagasaki survivors, because fall-out was probably not an important factor here.

Q Is it your impression that alarms now being sounded around the world are overdone?

A There has certainly been considerable discussion of the subject, and at times exaggerated statements have undoubtedly been made, but as people begin to understand the phenomena of radiation the alarm should abate.

FALL-OUT AND POSTERITY—

Q What is your personal conclusion about the effect of fall-out radiation on future generations?

A First, one would have to define the dosage of radiation involved in the fall-out, and even then one could only make continued observations upon these future generations to see what would happen, because, as I have previously stated and restated, this is a problem for vigilant observation since we have no conclusive data yet on the long-term radiation effects on human offspring. With exception of the H-bomb Bikini fall-out, I know of no occasion in which the fall-out has produced any damage to human beings.

Q Do the Japanese people, particularly those in Hiroshima, show great interest in what may happen to future generations as a result of the bombs?

A Naturally they have great interest in this problem.

Q In general, do they appear to be fearful, or are they inclined to minimize the possibility of the effects?

A I think there are always some individuals who are instinctively fearful, but there are individuals in other parts of Japan, and in America, who are somewhat fearful also about radiation effect, and it is extremely important that scientists first know positively what these radiation effects are, and that this information then be properly disseminated to these people, since the unknown, the mysterious, is frequently associated with fear. It is very important to remove the mysterious aspects as much as possible and, in so doing, some of the fear.

Q How many women who were within the 2,000-meter area survived and later bore children?

A We have records of about 4,700 women exposed within this distance who later bore children.

Q Was any infertility noticed among the survivors?

A Yes. Infertility was noticed in the period immediately following the bombing, but so far as our data indicate this was a transient phenomenon and, as the general health of the individual improved, the fertility reappeared. This is completely consistent with all the information now available on this particular subject. Infertility so far as we now know is not a permanent effect of this degree of radiation exposure.

Q Then there have been no cases that you know of where infertility has been permanent?

A This is somewhat difficult to answer categorically because there are many other factors than radiation which might influence infertility, but, as a general rule, we know that individuals who have no other factors which might influence their fertility suffer only a transient defection, and, with the recovery of general health, usually the fertility also returns.

Q Is the birth rate in Hiroshima and Nagasaki now approximately the same as it was before the war?

A The population is increasing in both cities. Some of this is due undoubtedly to migration.

Q How many babies have been born in Hiroshima and Nagasaki since the explosion?

A Vital-statistics records in Hiroshima show that about 68,000 children were born in the 10 years since the bombing. Nagasaki has had a slightly higher birth rate—I do not have the exact figure at present. Both cities have expanding populations.

Q How many children suffered acute radiation sickness?

A We do not have that answer completely, however, we know that about 12 per cent of the heavily exposed children seen at our clinic gave a history of reaction to radiation.

Q Did all of them recover?

A No—undoubtedly some of them died, but those we know about have made an apparent recovery.

INCREASE IN LEUKEMIA—

Q Has there been any noticeable increase in the number of leukemia cases in the last few years?

A Yes. There has been a definite increase in leukemia. This has been one of the most significant positive findings. This increase is significant, but the total number of cases of leukemia is actually not very large, comprising only 103 cases.

Q Is leukemia generally fatal?

A There is no specific cure for leukemia but there are many methods of symptomatic treatment, and in some cases the course of the disease is undoubtedly prolonged.

Q How about cataracts? Hasn't there been a sharp increase in their incidence?

A Yes. There has been an increase in the incidence of cataracts among the heavily exposed; however, these cataracts are small and do not interfere appreciably with vision, and there has not been a single case so far as we know of blindness resulting from such cataracts. They do not ordinarily require surgical intervention.

Q We are all curious about exaggerated reports of physical abnormalities in Hiroshima and Nagasaki. Is this comparable to reports we heard right after the explosion that people could not live here for many, many years?

A It is certainly obvious that we have learned a lot about radiation effects in the past 10 years and are still learning. Some concepts have been altered and some replaced. But we know positively, don't we, that Hiroshima and Nagasaki were never actually evacuated and that now they

(Continued on page 68)

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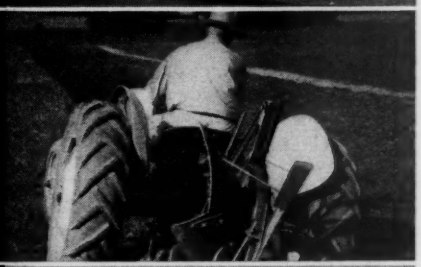

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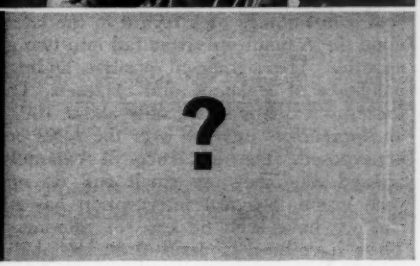

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are two cities with increasing population. And we have not encountered any increase in physical abnormalities with exception of the small number of microcephalies previously mentioned.

Q Why is the subject of radioactivity so mysterious to the layman?

A That mystery might apply to any field of science with which one has not had the opportunity to cultivate familiarity. I wonder if the field of radiation is any more mysterious than the field of astronomy? It is a matter for general public education of the fact that we are in a new era of our evolution, whether we like it or not, and a general understanding of the subject is a problem for world-wide intellectual development.

Q If the results of your tests and examinations here are made available to the layman in language he can understand, would that help to remove this mystery and make him less susceptible to the horror stories?

A Naturally the better one understands the phenomena of radiation the better able he will be to separate the sensational aspects from the real and practical. On the other hand, there might still remain a legitimate concern about the long-term effects of heavy-dosage radiation. This concern has been present ever since the discovery of the Roentgen ray, and, for that reason, there has been constant study by many different radiologic societies primarily interested in establishing what dosage man can receive without adversely affecting his life or the lives of his offspring.

Q Have the observations of the ABCC disclosed any great difference between radioactive fall-out and that directly due to the actual bomb explosion?

A No—this has not been possible from our studies.

RESULTS SUMMARIZED—

Q Now, Dr. Holmes, would you summarize just what ABCC has discovered about the late effects of radiation?

A Our findings with regard to the late effects of radiation upon the A-bomb survivors fall into two groups, positive and negative. The significant positive findings are an increased incidence of leukemia and cataracts. The total number of leukemia cases is small, only about 100, but this represents an appreciable increase over the cases occurring among the nonexposed. The incidence of cataracts is definitely increased, but they are small and do not interfere greatly with vision. Surgical intervention has not been necessary, and we have seen no case of blindness due to radiation. There have been 15 cases of microcephaly with some mental retardation—this is a development defect *in utero*, not a genetic defect.

The most significant negative finding is that no genetic defects thus far have been observed among the first generation of offspring from exposed parents. It should be emphasized that no comment or prediction is made as to subsequent generations. We must wait and see. At one time it was suspected that there might be a slight reduction in male births, but this suspicion has not been statistically valid. We are studying very carefully the possibility of premature aging and shortening of the life span, but our findings are not yet complete. The possibility of an increased incidence of cancer is also under investigation. It will probably be many years before a conclusive statement can be made. Our program is not one that can be hurried.

Now, Mr. Martin, if you have no more questions may I ask one? When did you first see Hiroshima?

Mr. Martin: A month after the atomic explosion in 1945.

Dr. Holmes: That's very interesting. I had heard you were among the first Americans to enter Hiroshima, and, frankly, if I may put the shoe on the other foot, since you have asked me about our impressions now, I would like to ask you about your impression then.

Mr. Martin: The most obvious thing to me is the amazing reconstruction of Hiroshima. When I first got here it was practically flat. Now it is a city that operates.

Dr. Holmes: Do you see much evidence of the physical effects of the bomb today such as destruction of buildings, etc.?

Mr. Martin: Practically none, except the area that was set aside as a memorial center.

Dr. Holmes: I'm glad you mention that, because I must also admit that one of the most impressive things about Hiroshima and Nagasaki today is the amazing recovery, and the actual scarcity of physical evidence of the destructiveness you witnessed in your early visit in 1945. Now you have asked me many questions along the lines of strict scientific evaluation regarding radiation, I would like to ask you, as a layman in this new atomic era, what do you really know about radiation?

Mr. Martin: Obviously, very little, even though I was in both Hiroshima and Nagasaki as a reporter 30 days following the explosion, and at Bikini for Operation Crossroads in 1946, but radioactivity is something I can't touch, or feel, or see, and I am always mystified by it.

Dr. Holmes: Well, then, don't you think that the feeling of mystery which you have described is closely related to the apparent fear that so many people have of this new power we have found in atomic energy? I am sure that we both are aware of the panic that the first steam engine produced among the Indians as it crossed the Western prairie and the consternation of the people at the first automobile as it roared along at the tremendous speed of about 25 miles an hour.

"A NEW WAY OF LIFE"—

Mr. Martin: Twenty-five? You mean 12.

Dr. Holmes: Well, I am sure you see my point. We are in an amazing age of research and development that has seen us make a great transition from fossil fuels to atomic energy. We are a privileged generation struggling with this new experience, and it is not unusual or unpredictable that we would encounter numerous problems and frequent instances of people who fear and reject the introduction of a new way of life.

The advent of the atomic era is probably the most significant step in the industrial and social development of mankind. The hazards it carries are only those of improper usage. It is a sad misfortune that we live in this period of tension that demands its exploitation for military advantage. We can only hope that this kind of utilization will be short-lived and that the beneficial uses will soon become predominant and shared by all the countries to whom it can mean so much.

In any event, the Atomic Age is here, let's face it. Let's not be afraid of it.

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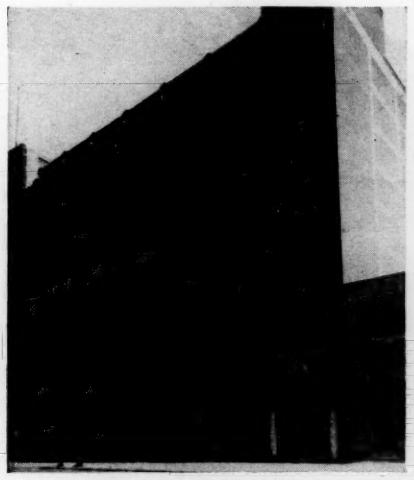

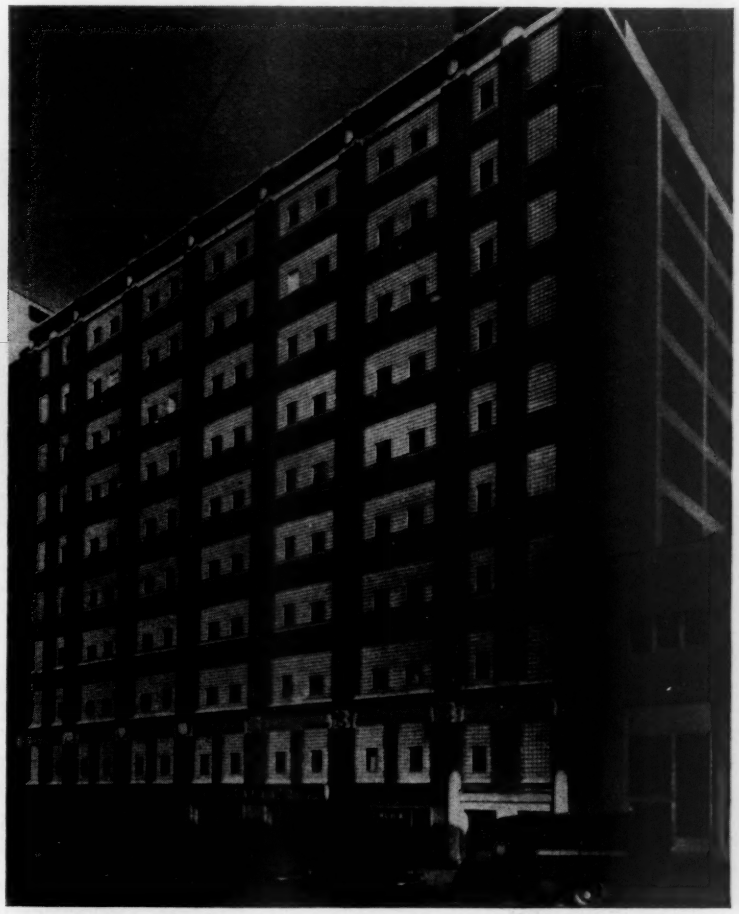

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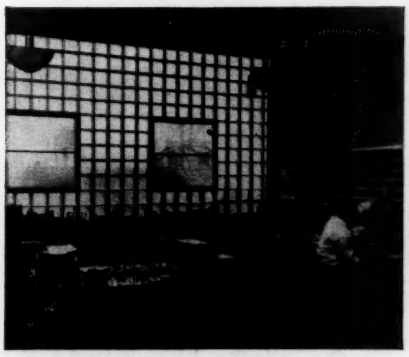

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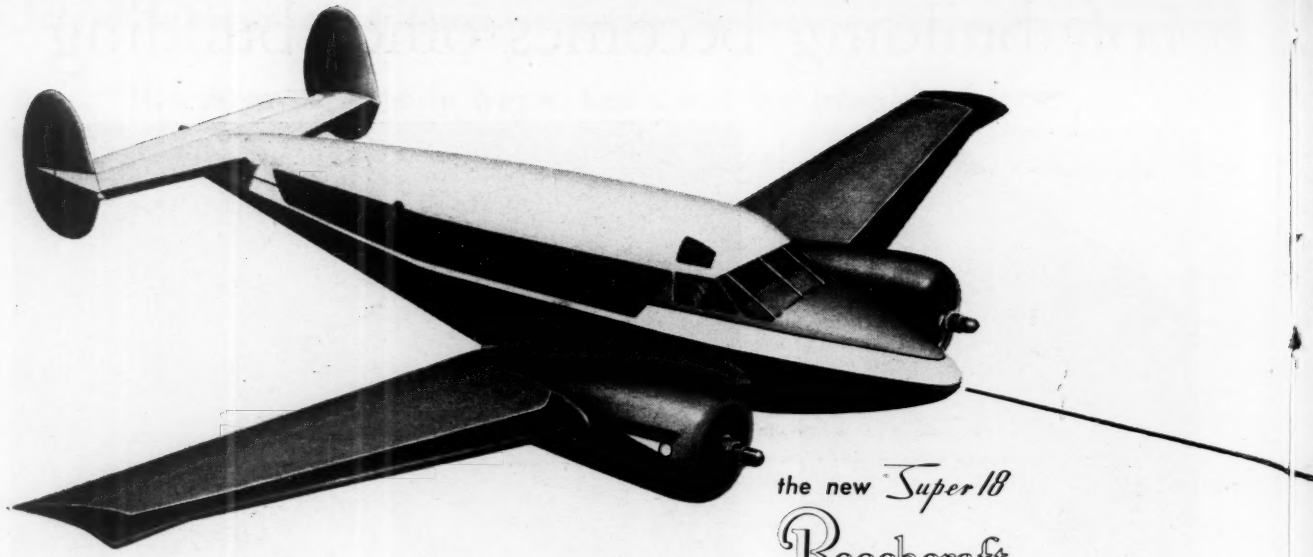

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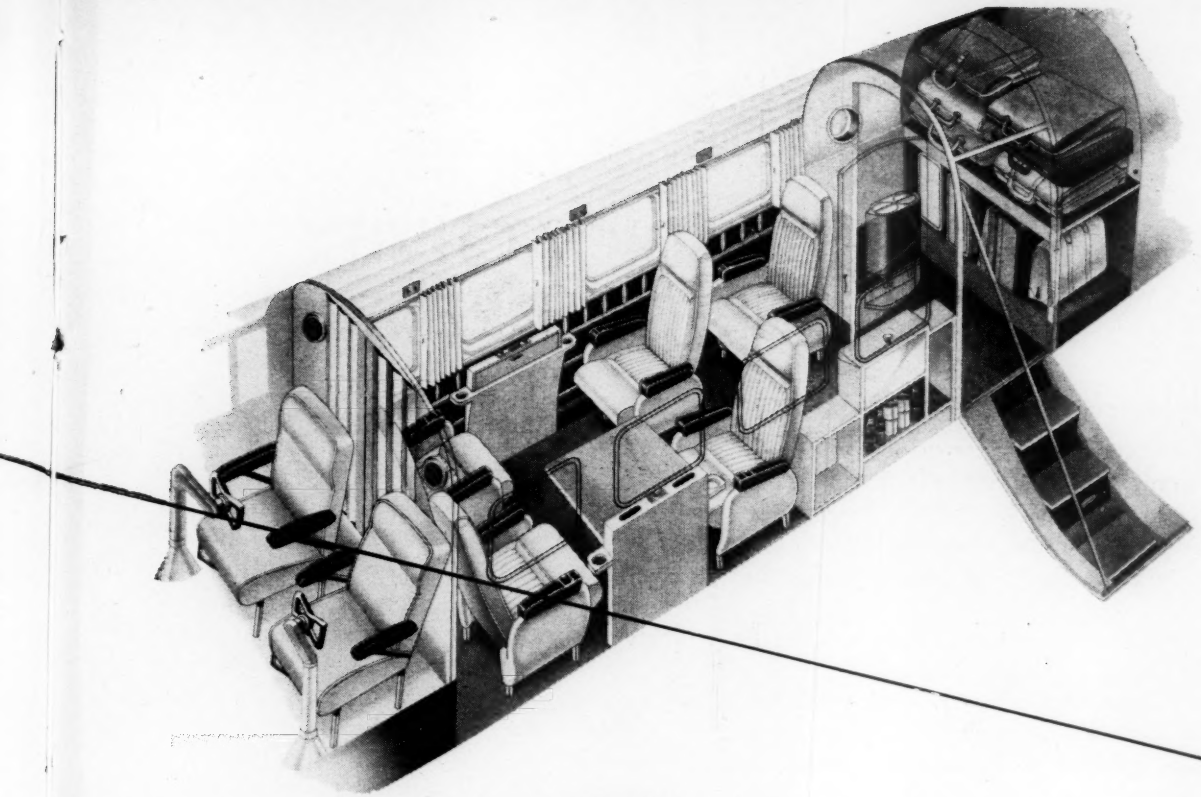

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Interview with DR. H. J. MULLER
Nobel Prize Winner in Genetics

WHAT WILL RADIOACTIVITY DO TO OUR CHILDREN?

Argument still goes on over the effects, if any, of atomic tests on future U. S. babies.

Dr. H. J. Muller, Nobel Prize winner in the field of radioactivity's effects on heredity, is recognized as the scientist best able to clear up this question.

As professor of zoology at Indiana University, Dr. Muller expresses views independent of those of the Atomic Energy Commission. His work in genetics brought him an award at the recent meeting of the National Academy of Sciences. In this interview with *U. S. News & World Report*, he concludes—

- **Any increase in radioactivity, including atomic tests, will produce more "mutations."**
- **But about 1,000 times as many changes will occur naturally in each generation as would be added by all bomb tests to date.**
- **Even more mutations are inherited from past generations. Extra danger, thus, is slight.**
- **Bigger danger, he says, is in the careless use of X rays.**

Q Do you think, Dr. Muller, that Communists are behind the statement that continued atomic tests will build up enough radiation to harm the human race?

A Yes—I judge that from the tone and character of the publications in which this "stop the bomb tests" propaganda has been put forward. But many sincere non-Communists have come to believe the same thing and are now backing it.

Q What publications are those? That is, are they foreign periodicals or are they domestic?

A I've seen both foreign and domestic.

Q Do they start abroad and then come into this country?

A It's hard to say. If I'm right that it is a Communist-inspired propaganda, then it probably started abroad. But I think the same idea has been in minds here and abroad.

Q Did you get the impression that this was a campaign begun in 1948 or 1949 or 1950 or 1951—any specific year?

A No, I have seen a tremendous growth of it just in the past year.

Q It still is going on in full flower—it's increasing in intensity, isn't it?

A Yes.

Q This propaganda that the continued testing of atomic weapons and the continual additional radiation just from that source are terribly harmful—that you're going to ruin the world—is that true?

A It is entirely fallacious—that you are going to ruin the world just as a result of test explosions in the manner and at the rate at which they have been carried on in the past three years.

Q When you have a war—

A I don't say that you might not ruin a race—I wouldn't be a bit surprised—you can actually kill people off outright with what they call "patterned bombing."

Q But the statement has been made that if anybody survives from the blast and radiation effects, then you might have so harmed this residue of people—

A That I could discuss to this point—I would say that that is not true in itself, if that radiation were confined only to the one generation. However, if the fall-out were so long-lasting as to be very serious to future generations also, then it could ruin the race.

But I don't think you could ruin the race by an amount of radiation that would leave people able to reproduce, when given only to one generation. You can cause a great deal of harm, as you did at Hiroshima, but, after all, at Hiroshima there were survivors who got as much as they could stand and then reproduced, and we saw that their offspring looked about normal. It doesn't mean that they were, but they were enough normal to get by—and the human race, as a whole, if it got by, would eventually recover—it would be no genetic catastrophe unless the radioactive substances were long-lived enough to wipe out the present population or to irradiate many generations heavily. This is a question for the physicists.

Q How about on the other side of the coin—statements minimizing the harm that radiation brings?

A The minimizing of the effect, I think, is a policy which plays into the hands of those who go to the opposite extreme.

Q How do you figure that?

A I figure that because plenty of Americans now have read and been taught in college for a generation that radiation produces damaging mutations [changes in heredity characteristics]—I warned them against it in 1927—and so many of them know that that is a fact, that when they see it denied

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More Peril From X Rays Than Bomb Experiments . . . What Mutations Do to People . . . Fear of Tests—Red Propaganda

by highly placed people it tends to make them lose confidence in our leaders.

Then they don't know where to turn and they are much more likely to swallow the words of the opposition—which goes to the opposite extreme—and to become so apprehensive that they think the leaders are trying to cover up something that is too bad for them to hear, and so they are likely to swallow the propaganda that says, "Stop the tests, you're going to ruin mankind."

Q You don't subscribe to that?

A No, I think we have to face the fact that there is damage, and then say it is worth it, because if you don't have the tests you are running a risk of far worse damage by the loss of freedom and democracy—our intellectual freedom, especially.

Q So, in order to put the danger in perspective, don't you also make the point that ordinary medical X rays are as harmful, if not more so?

A Yes, that's right.

Q The danger is no greater to the general population than the danger from X rays?

A Yes—I won't say the danger of atomic war—but the genetic danger of the tests themselves is probably not as great as the genetic danger of incautiously administered X rays. And there I would classify the great majority of medical administrations of X rays at the present day. There are, of course, a few exceptions—a few very welcome exceptions—the work of enlightened physicians. But the great majority of them, in my opinion, willfully neglect the elementary precautions which should be used to minimize the genetic danger—such as shielding the reproductive organs.

—USN&WR Photo

DR. H. J. MULLER

Q In other words, when you have a chest X ray you are running the risk of passing along a change to future generations?

A Unless it is limited, yes. Especially X rays in the abdominal region.

Q Is an individual sun-bathing at the ocean running a risk?

A No, that is ultraviolet light that doesn't penetrate.

Q How about the cosmic rays?

A You don't get enough cosmic rays to speak of at the ocean—you get more on top of a mountain.

Q Don't some physicians use abdominal radiation to cure sterility?

A Yes, they actually willfully apply the radiation right to the ovaries to cause an egg to be released. They sometimes give several hundred roentgens—equivalent to what a heavily exposed Hiroshima survivor received.

Q But, as I understand it, the probability of anything harmful showing up as a result of that is negligible.

A That's it—showing up. Statements minimizing the effect hide behind the fact that you can't readily detect it. But it is produced.

In these procedures which affect our reproduction, we have become, I would say, the stewards of the human race and we definitely are not facing that responsibility.

Q We have established that the risk is negligible, but there is a risk—

A Are you talking about atomic tests or medical X rays or Hiroshima?

Q Let's talk about any type of radiation—

A Whether it is negligible depends upon the amount of it.

Q How about the X rays an individual has for his chest, or to a tooth—the average individual doesn't receive several hundred roentgens—

A We don't know enough about how much gets to the reproductive organs, but more gets there in these ways, all told, than from bomb tests to date.

Q What we are trying to arrive at is if there is any rule of thumb or assurance for the average individual exposed to radiation. He gets it naturally in the food he eats, from outer space, and from the normal medical X rays of teeth and chest, and now the added amount from these tests. Is all this a serious thing for him—the changes that are happening to his body as a result?

A Not to him personally, unless he is concerned with the future of the species. But the chance of that change cropping up in the future of the species is small or large, depending upon the amount. With the present amount it would be fairly small, I should say.

Q So that if we don't add a tremendous amount of that radiation—

A I would say it is already approaching an amount that we ought to take precautions against.

Q By precautions you don't mean cutting down the amount of X rays that people have, but shielding the reproductive organs, don't you?

A Shielding them, and in some cases cutting exposure down. For example, in treating some condition of the skin in

(Continued on next page)

. . . Gross malformations: "Practically negligible"

this region with X rays, you might use an ointment instead—in that case I would say cut the X ray out and use other means. In other cases, the amount of X rays can be reduced by various well-known technical means without loss of efficiency.

Q These changes will be passed along only when the sex organs where the egg and the sperm are created are exposed?

A Yes.

Q In the modern hospital of today, is proper shielding used in the X-raying?

A There may be some in which it is used. I have seldom seen it used for the reproductive organs.

Q On the average, this added protection is not provided?

A No, and if you ask for it you are likely to be laughed at.

DANGER TO X-RAY WORKERS?—

Q That would make one wonder if radiologists and physicians who work with radiation have a greater proportion of defective offspring?

A A recent study by Dr. Stanley H. Macht in the *American Journal of Roentgenology* shows that they do.

Q It has been said there are about 1 billion genes handed down—is that right?

A No, it's in the thousands or tens of thousands—we don't know the exact number—10,000 or 20,000, something like that.

Q The statement, as I recall it, was that in a billion genes the amount of changes that were now being produced by the added radiation would be roughly 100 or 200 genes. That would seem to be a terrifically small number out of a billion—

A Yes, but one mutation can be enough to kill an offspring, you know, even though the ratio is quite small—1 in 10,000 is enough to be damaging.

Q That billion, then, doesn't come from one individual?

A Practically, it does not. You would have to have germ cells for something like 50,000 individuals to get a billion genes.

Q If both parents have the same harmful change, the same mutations, then the chances of the offspring having it are greater?

A Surely.

Q If only one has the mutation, there is still a likelihood it will be passed along?

A It is a 50-50 chance.

Q Are the changes from radiation always harmful?

A I would say more than 99 per cent of these mutations are harmful.

Q Then should an individual fear the results of radiation as far as his grandchildren are concerned?

A Not if he receives so little of it that the chances are negligible of his grandchildren receiving mutations.

Q The risk builds up—the more radiation you are exposed to, the more risk there is of changes?

A Yes.

Q Would the amount of radiation as a result of the A-bomb and H-bomb tests increase the risk of these changes?

A Any radiation causes some risk. The amount of the risk is proportional to the amount of the radiation. By that I mean, for example, if you have 10 times the radiation, you have 10 times as many mutations produced in the population.

Q Does that mean that the added amount of radiation that is floating around in the air as a result of the various explosions since the development of the A-bomb is increasing the risk?

A Yes. But that increase in risk is negligible for any one person, and it is only when we consider a great population like that of the United States as a whole that it becomes appreciable.

Q If it is not harmful to one, though, why is it harmful to many?

A Just the same as a case where you drive, say, one mile beyond the speed limit—or suppose you drive one mile less than the speed limit—you have a certain risk of having a fatal accident. The risk may be negligible for you, but, if 100 million people take that risk, maybe there will be 30,000 fatal accidents a year. That's not at all negligible. That is what I mean.

Q The statements that the added radiation is quite small and therefore the risk is not significant—I gather you disagree with them?

A It is not significant to any one individual, and in a sense it is not significant even to the population as a whole, when you consider the size of that population, relatively. But, when you consider the actual number of cases, it's very large.

Q How does radiation or exposure to radiation change the genes?

A It causes unpredictable scattered changes in genes here and there which may affect any vital function and even combinations of functions and cause some slight impairment.

MANY SLIGHT ILLS—

Q Could, for instance, my grandchild be deaf as a result of radiation?

A It could be an impairment of any function. All we are, except what we get through our culture, is determined by the genes which take part in the formation and functioning of all parts of the body, and so any change in any one of those genes may cause a change in some corresponding part or function of the body. So that these ills that are brought about are really all the ills that flesh is heir to, except those caused by contagious disease or accident.

Q Would they produce gross malformations—monsters, deformed people?

A Very rarely. That is one of the popular misconceptions. It happens, but very rarely, so the amount of that, I should say, is practically negligible, compared with the slighter disabilities.

Q Would it be a change in an eye color or—

A It could be.

Q Could it be a change in susceptibility to certain diseases?

A Certainly. You would have, for example, a greater requirement for Vitamin A or D, or something like that.

Q I gather it is impossible to predict precisely the nature of these changes—you can only predict there will be changes?

A That's right.

Q Could the changes be in the nature of improvements as well?

A Yes; that is why we have evolution. According to the evolution theory, the whole of evolution has come about

(Continued on page 76)

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. . . "Probably a lot more mutations not caused by radioactivity"

through the very rare changes that happen to be improvements. And the way it works is that, when they come about, then those individuals in a state of nature multiply more and displace the others and the others die out in competition—the originally normal form and the weaklings die out.

Q Then if you have harmful changes, wouldn't the same reasoning apply—that you have a tendency for those to be weeded out of the population?

A Oh yes, certainly. Just the same as if you have a severe automobile accident there is a tendency for the person to die.

WHEN WEAKNESS SHOWS UP—

Q Is it possible to make an arithmetical prediction of the number of mutations that could occur three generations from now, or two generations from now?

A The mutations are actually occurring now while you are being exposed. They don't reach expression until they are inherited. And that inheritance continues through generation after generation, permanently. However, the very fact that it usually causes an impairment will mean that in some generation—we don't know how distant—that impairment will tip the scales against the individual carrying it. He dies prematurely, or fails to leave offspring. Then that line with its mutation dies out, and the race is, so to speak, purged—I don't know whether you would use the word purged—but it is good in so far as the impairment is eliminated.

Q Why have there not been more abnormalities or changes in the survivors of the A-bomb blasts at Hiroshima and Nagasaki? There apparently has been very little evidence, except for some cases of leukemia.

A Because the human population is impossible material for genetic study. We do not cross humans artificially—they are not pedigreed—they are at present extremely variable, as a result of all kinds of natural mutations that happened in past generations—so they are a most heterogeneous lot. And when you have added to all these natural, accumulated mutations those which were produced by the bombing, they are, so to speak, "lost to view" in that grand melee of variations that is there.

But when you experiment with animals, you use carefully controlled materials, as uniform as possible. You subject them to exact crosses with inbreeding—you bring together the same mutation from the two parents, which increases the effect to the point where you can definitely see it, in many cases. So then you can definitely prove its existence and find out how many mutations have been produced.

Now, you can expose insects and other animals to radiation, and then you find that an amount equivalent to what people received at Hiroshima is truly quite powerful in producing many mutations. But you don't expect to be able to prove the same thing in humans by statistics like those available on Hiroshima. These data are not adapted for giving a real answer to the genetic question.

This inconclusiveness of the evidence from the Japanese cities was, in fact, directly stated by the scientists who reported on the matter officially about a year and a half ago. They warned that the data did not at all contradict the results of careful experiments on animal material which showed that such a dose in fact produces many mutations in animals.

Q Does that mean that there is no practical effect that we know?

A It means there is no effect perceptible by our means. They are so scattered, and so diluted by the fact that the individual receiving the mutation receives it from only one parent, so that it shows less, and it is spread out so thin over so many generations that from any one generation in this human material you cannot prove it. That does not mean there's no practical effect, because that would be like saying that we could completely disregard the deaths resulting from automobiles.

Suppose that we had statistics of the deaths in the United States unclassified as to what they were, we wouldn't be able to tell that the automobile had killed any people. Every injury to any person, even though we cannot single it out, is in itself an evil which we cannot ethically disregard.

Q You come to the conclusion, then, that the changes would be in the population but not likely to show up—

A Not likely to show up in the sense that we couldn't spot which individual cases had been caused by the radiation or say how many had been caused by it.

Q They would be there, and, if we bred humans the way we breed animals, you could predict how many would show up?

A Yes. But we would have had to control the breeding of many past generations, too, before this one—as well as the breeding afterwards.

Q That brings up the subject of background radiation that we naturally are exposed to—from cosmic rays in the air and radiation from the ground.

A Those have been producing mutations—but it is a far lower amount of radiation in any one generation than we get from atomic bombing such as at Hiroshima.

RADIATION FROM TESTS: SMALL—

Q I recall a statement that the total amount of radiation added since the first A-bomb blast in New Mexico is only the amount of radioactivity equal to one chest X ray—

A That is true, according to the Atomic Energy Commission report, though I'm not sure they included radiation from material entering the body. But, taking only their figure, the amount is small for any one person. Nevertheless, our population is so large that when you take into account the actual number of mutated individuals of the next generation produced in this country as a result of those test explosions, it turns out to be very similar to the number that was produced at Hiroshima, as a result of the Hiroshima explosion. Only mutations here are spread out over our whole population—therefore, if you can't demonstrate them at Hiroshima you'll never demonstrate them in the United States. But they are far from negligible—they are in the tens of thousands.

Q Are such mutations occurring as part of the natural process, anyway? You would think of this radioactivity effect as an added cause of mutations, then?

A Right.

Q And the fact that the human being has progressed may be partly due to some changes that could have come from natural radioactivity, among other causes?

A Yes—actually there are probably a lot more mutations not caused by radioactivity than those caused by radioactivity in man. I would estimate that between 10 and 20 per cent of the natural mutations in man may be due to natural radio-

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. . . Mutations from bomb tests: "No significant deterioration"

activity. The others are of a similar nature, but not caused by natural radioactivity.

Q Does an individual who goes to Denver, Colo.—where you've got a higher altitude and therefore are more subject to radiation from cosmic rays—is he more subject to handing down changes to his future generations than he would be if he stayed at sea level?

A Yes, but the effect is very small, of course.

Q What are the other causes of mutations, and can you prevent them from occurring?

A No, you can't prevent them from occurring. Let us put it this way—the motions of the molecules inside the protoplasm occasionally result in ultramicroscopic collisions so that it does become something like an automobile accident, on an infinitesimal scale.

Q What are the external causes?

A The heat motions of molecules. If heat would stop, you'd freeze—you've got to have that all the time. You are all the time subjected to this influence which you are not aware of until it is withdrawn. And that's a bombardment, and all your particles are, as a result, in constant, very rapid motion, and there are liable to be damaging collisions every once in a while to the genes.

ESTIMATING THE CHANGES—

Q Will substances that you get into your body from food, water or air influence it?

A We don't know enough about genes to say in much detail. But some substances are definitely known to have a considerable effect in causing mutations. One of these is mustard gas. Probably most common foodstuffs have little, if any, effect of this kind. But the subject requires more study.

Q But the point is radiation will affect the genes. That is a scientific, undisputed fact—

A Yes. It's a fact—it's not disputed by scientists.

Q So that any increase in radioactivity in the atmosphere, it follows, will have some kind of effect on genes—

A Yes, some amount, an amount proportionate.

Q But we cannot know precisely what that amount of change will be?

A We do have some knowledge of this, although with a large margin of error.

Q Can you tell us this much—can you predict that there will be 30,000 mutations three generations from now as a result?

A I might have an error of five times—that is to say, it might be five times my estimate, or it might be one fifth of it. I only know it in a certain range. But I do know approximately what scientists call the order of magnitude.

Q Well, what is that order of magnitude?

A You have to specify the dose—for a given dose you have a given effect.

Q Well, with the dose given to the people of this country so far by atomic tests—the statement has been made that the radioactivity as a result of all these tests is equivalent to what an individual would get in his lifetime from natural radioactivity—or approximately the same as from a chest X ray—

A What one gets in his lifetime is a lot more than that. As for the mutations, once you've gone through the study of it with the animal material you have to assume that you have a similar situation in man, but this is so probable an inference that you know you can't be very far wrong—you can then arrive at the approximate estimate. I have arrived at a tentative figure of something like 80,000 mutations present among our successors in America—say, those living 100 years from now—as a result of the radiation which the AEC has told us that present-day Americans have received from the tests to date. There might be as few as 25,000 or as many as 170,000.

Q So that would be the children born to those in child-bearing ages now?

A No, the children born to any one alive now, and their children if already conceived. All the descendants who would be alive in the population succeeding the present one, after it has died away, all together would have inherited something like 80,000 added changes. These would be added to the vast number of natural mutations in the population.

Q How many natural mutations would you have?

A Lots more than that.

Q If you could give us an approximate figure, it would be very helpful—

A Our knowledge of this is woefully scanty because this kind of investigation has not received the large-scale financial support it has required. I would estimate that about a thousand times as many natural mutations arise among us each generation as those from the bomb tests to date. Besides this, we inherit an accumulation of mutations that arose throughout scores of past generations. That is why I say that the number of mutations produced by the bomb tests, considered relatively to the population as a whole, does not involve a significant deterioration of the genetic constitution of the population. But it does produce a lot of significant individual disabilities.

WHAT EXPERIMENTS SHOW—

Q Has our knowledge of radiation changes come from experiments on fruit flies?

A On plants, fruit flies and on other animals, especially mice. The extensive work which W. L. Russell has recently carried out on mice at Oak Ridge shows that they are much more susceptible to genetic damage than flies. There is every reason to use data for mutations in mice in calculating the results for humans, rather than the results from flies, as we used to do.

On this basis, we can calculate that most of the children of the Hiroshima survivors who themselves showed clinical symptoms of having been irradiated did inherit mutations that were produced by the bombing—even though the statistics gathered from them were inadequate to prove this point.

Q But hasn't it been shown that in fruit flies radiation changes actually were helpful—that a stronger, tougher, strain resulted?

A Well, in fruit flies, multiplication can be very rapid. For this reason the very few advantageous mutations produced by the irradiation are able to crowd out the rest of the population in a relatively short time, while the original type and the many weaklings die out. It would be absurd to suppose that anything like this could be done with mankind, because humans do not multiply like flies. Moreover, unlike fruit flies, humans are extremely variable to begin with.

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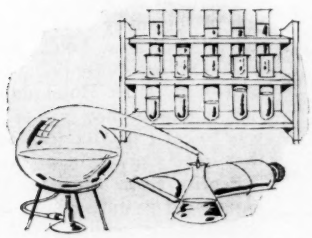

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Millions of Foot-Loose Americans

They'll Spend 1.5 Billions Going Abroad in 1955

This is turning into a record year for travel. Europe is jammed with Americans.

But tourists, this year, are spreading out into other areas too, getting into out-of-the-way places in Asia and the Pacific.

Result of all this travel is a growing appreciation of the American tourist. His dollars are helping other countries to balance their trade.

Americans who vacation abroad this summer are going to find:

- Crowds of tourists are everywhere. More people are traveling this year than ever before.
- Reservations on ships and planes, in hotels are hard to get.
- However, there are more places to go than ever before. New areas of the world are being opened to tourists. Transportation speed-ups have brought more countries within reach for a short vacation.
- The trip will not cost much—if any—more than last year; new "travel on credit" plans can make the bill easier to pay.
- And Americans' reception abroad will be warmer than ever. People in other countries are learning to appreciate U. S. tourists—as dollar sources and as people, too.

Crowds—that is the big travel story of 1955. This is a record year for travel abroad. America, as never before, is on the move. The charts on these pages show what is happening.

Americans, however, will find competition. Europeans, too, are on the move. The urge to travel is turning out to be one that shows itself in times of prosperity. Mostly, since the war, it's been Americans who had the money to travel. Now, with Europe recovering, Europeans are getting into the act.

As travel increases, travel patterns are shifting. Europe still gets the lion's share of the U.S. tourist dollar. But more tourists now are getting back into the world's hinterlands, into areas seldom visited in the past.

Travel is increasing to the Pacific islands. Asia is getting on the tourist route. Pakistan, a region once seen by few Americans, now is issuing 300 to 400 visas a month for American travelers. Tours are being offered to Nepal, a remote region heretofore regarded as almost inaccessible.

More by air. Wider use of airplanes is making such distant travel possible. A major airline reports sales up 30 per cent over 1954 to Europe, 20 per cent to the Pacific areas, 10 per cent to Latin America.

Last year, for the first time, planes carried more passengers across the Atlantic than were carried by steamships. This year, with steamship lines already booked solidly on all sailings to Europe through August, airlines are getting set to cash in heavily on the travel boom. New planes are being added. Tourist-class service, which makes room for more passengers at lower rates, is being expanded.

Credit is being offered. One airline reports it expects to sell 7 million dollars' worth of transportation on installment plans this year.

A similar trend is seen in ships. More tourist-class accommodations are being provided and less space for first-class passengers.

Prices no higher. Fares across the ocean, by ship or plane, have not been increased in the last year. The average price, in fact, is lowered by this trend toward tourist and away from first-class travel.

No big change is reported, either, in prices that tourists will pay abroad. And relaxing of currency and customs regulations is making it easier for Americans to mix shopping with sightseeing.

On the subject of currency: Forget those early postwar stories about multiplying the value of American dollars in black markets abroad. Most foreign currencies are now so stable that there's little to gain by changing money outside legal channels.

There's one new development in foreign travel that is expected to help ease the squeeze on accommodations in big tourist centers. More people now are traveling through foreign countries by car—either shipping their own car across, renting a car in the country they visit, or buying a car on arrival abroad and selling it before they return. With cars, tourists can drive out into the countryside, away from the expensive cities—and away from the big crowds.

Provision of automobiles is just one of the many new services being offered. New hotels are being built. Old hotels are being modernized—with baths. Hotel and restaurant operators now go out of their way to cater to American appetites that once were held in disdain.

Profits from tourists. What is happening is this: People in other countries are realizing the value—to them—of the American tourist.

The American tourist has become big business. The dollars that American tourists spend abroad are an important factor in the balancing of international trade. They mean the difference, in some countries, between want and prosperity.

AMERICAN TOURISTS SPREAD DOLLARS AROUND THE WORLD
(Years ending June 30)
IN 1954, Americans spent on travel abroad a record . . . $1.36 billion
IN 1955, Americans are expected to spend on foreign travel $1.5 billion
$
IN 1954, number of Americans traveling overseas was a record 969,221*
*Does not include millions of Americans who went to Canada and Mexico by car, bus, train
This is where they went:
EUROPE 442,219 • WEST INDIES 346,906
ASIA 60,815 • SOUTH AMERICA 39,837
CENTRAL AMERICA 31,533 • AFRICA 9,831
OTHER AREAS 38,080
IN 1955, number of Americans traveling overseas is expected to pass 1 MILLION

Source: 1954, Commerce and Justice departments; 1955, estimates by trade sources

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WHERE TRAVEL BOOM IS GREATEST—EUROPE
IN 1953:
376,000 Americans went to Europe, spent $293 million
IN 1954:
442,000 Americans went to Europe, spent $348 million
IN 1955:
500,000 Americans are expected to spend in Europe $400 million
NOTE: Years ending June 30. Spending figures do not include passenger fares across ocean.
The most popular tourist stops, and the number of Americans expected this year:
PARIS 380,000
ROME 260,000
LONDON 250,000
MADRID 192,000
AMSTERDAM 125,000
VENICE 120,000
FLORENCE 100,000
NAPLES 100,000
EDINBURGH 100,000
FRANKFURT 85,000
BRITAIN
Source: 1953 and 1954, Commerce and Justice departments; 1955, estimates by European Travel Commission
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Here's how important to other countries the American tourist has become:

Last year, according to the U. S. Department of Commerce, Americans spent $1,360,000,000 on travel abroad. Only $210,000,000 of this went to American-owned shipping and airline companies. Other countries got the rest—a cool $1,150,000,000. And this amounted to 11 per cent of the total amount that foreign countries spent that year on imports from the U. S.

Help for trade. In other words, out of every $100 foreigners spent to buy goods from the U. S., $11 came from U. S. tourists.

This year, foreign profits will be even larger. In 1955, for the first time, the number of Americans who travel overseas is expected to pass 1 million. And that doesn't include millions who will go by car, train and bus for vacations in America's next-door neighbors, Canada and Mexico.

All those traveling Americans, by official calculations, will spend a new record of $1,500,000,000 on their 1955 vacations abroad. And foreign countries will get an estimated $1,270,000,000 of that total.

Foreign aid that's fun. That is nearly twice as much money as the Eisenhower Administration now proposes to spend next year for economic assistance to all countries in the new foreign-aid program.

Without those tourist dollars, American officials are aware, the demands by foreign countries upon U. S. financial help would be a lot larger. With this in mind, the U. S. Government, for the first time, is helping foreign countries lure Americans to their shores. A special U. S. representative has been sent around the world to consult with other countries on ways of attracting—and pleasing—American tourists.

"Vacations, not donations," is the slogan for this new program.

With the realization of what tourist dollars mean to their economies, the attitude of foreigners toward American visitors is changing. The laugh of derision at the U. S. tourist with his loud sport shirt now is turning into a warm smile of welcome. Millions of dollars are being spent by other nations on advertising in America. The American and his dollar are now being wooed as never in the past.

Americans better liked. With the big increase in foreign travel, the impression being made upon other people by Americans abroad also appears to be changing.

Years ago, only wealthier Americans could afford much travel overseas.

Now other countries are seeing more nearly average Americans. Along with the city sophisticates and "playboys" are traveling thousands of quiet, hard-working citizens from towns and villages. These people spend more carefully, demand less luxury, behave more quietly.

Reports from many countries reflect the difference that this change is producing in foreign attitudes.

The American dollar is not only becoming more important abroad. The American himself, as well as his dollar, appears to be gaining in popularity among people in other lands.

THE MAN ...Averell Harriman **THE NEWS** ...Next President?

New York's Governor Ready To Run—If Adlai Says Word

Mr. Harriman eyes the Democratic presidential nomination but is balked by Adlai E. Stevenson's silence. An effort may be in the making to force Mr. Stevenson to declare himself.

—United Press

AT LEAST ONE key Democrat is making no secret of his willingness to take up residence in the White House starting in January, 1957. Averell Harriman, Governor of New York—with 20 years of Government service and one election victory behind him—is that man.

The New York Governor is seeking a national audience by criticizing the Eisenhower Administration and its foreign and domestic policies. At a recent Democratic Party dinner, his friends distributed "Harriman for President" buttons. Many party workers are beginning to see evidence that the lightning might strike in the New Yorker's direction when the Democratic Convention meets next year.

Meanwhile, under the surface, what really is happening is this: Pressures are building up on Adlai E. Stevenson, the 1952 Democratic nominee, to disclose his plans for 1956. Mr. Stevenson just isn't saying, for the present, whether he intends to run again or not. Similarly, in the Republican Party, President Eisenhower declines to state his plans.

Political experts agree that, if either Mr. Stevenson or the President gives so much as a hint that he is ready to run next year, he can have his party's nomination with no difficulty at all. So long as both remain silent, other would-be candidates are left dangling. That includes Mr. Harriman.

Ready—and willing. The Governor's friends are trying to do something about this situation. If Mr. Stevenson decides he would like another nomination, Mr. Harriman is in the Stevenson corner, his support openly and firmly committed. But, if Mr. Stevenson should bow out, Mr. Harriman is ready to rush forward and make his try.

The New York Governor is convinced that Mr. Eisenhower can be beaten next year—beaten, he says, on the issue of the present Administration's "dedication to special interests." But he thinks it necessary that Mr. Stevenson or himself be in the field early, building not just for the Convention and the nomination but looking essentially toward Election Day itself.

Mr. Harriman is ready to seek preferment as a super-New Dealer. He can count on much "liberal" support, much

(Continued on page 84)

"YOU MEAN POSITIVELY?"

"IN THE SPRING"

—Costello in The Albany Knickerbocker News

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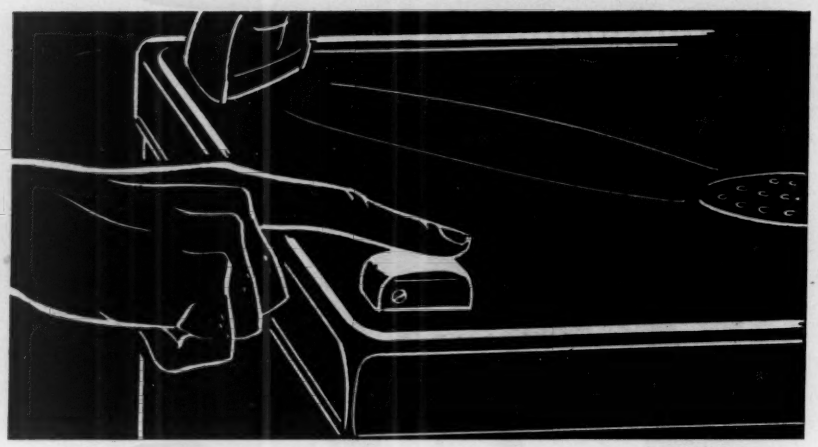

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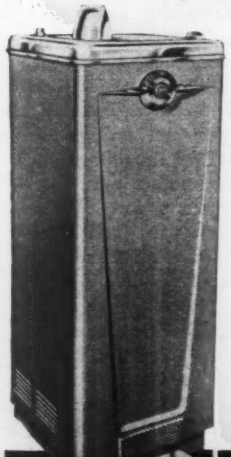

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YOU CAN BE SURE...IF IT'S Westinghouse

Mr. Harriman could have 90 votes as a start . . .

labor support, the backing of much of the old coalition that once was Franklin D. Roosevelt's. By the same token, this would mean opposition from the more "conservative" Democrats of the South.

As Governor of New York, Mr. Harriman now has a recognized claim upon the nomination. At the Convention he will control New York's big delegation and its more than 90 votes, a powerful lever when bargaining starts. And at his elbow will be Carmine G. DeSapio, chief of Tammany Hall, who aspires to be a kingmaker.

Wealth and the New Deal. If the Democrats do turn to Mr. Harriman, he would be the wealthiest nominee ever chosen, a man with nothing resembling a log cabin in his background. His father was E. H. Harriman, one of the fabulous financial-empire builders of the nineteenth century, who left a fortune estimated at 100 million dollars to Mr. Harriman and a brother.

Despite his wealth, Governor Harriman has been a hard worker throughout his life. After Groton and Yale, he pitched in and helped develop his father's already vast railroad holdings. With his brother, he established an investment-banking house in Wall Street.

In 1928, he left the Republican Party to vote for Alfred E. Smith, and in 1932 he supported Franklin D. Roosevelt. Mr. Harriman also came to Washington in the early flush of the New Deal to work in the National Recovery Administration—NRA—and became its administrative head in its later days.

Distrust of Russia. But war and the approach of war brought Mr. Harriman his big assignments. Before Pearl Harbor, Mr. Roosevelt sent him to London to facilitate the flow of Lend-Lease equipment. In 1943, he became Ambassador to Russia, and, even before the end of the war, detected, distrusted and reported Moscow's already developing postwar attitudes.

After the war, Mr. Harriman was Ambassador in London and Secretary of Commerce under President Truman. Mr. Truman found, however, that he needed Mr. Harriman's special talents in the foreign field. In 1948, the President made Mr. Harriman a roving Ambassador to Europe, supervising the flow of billions of dollars in Marshall Plan aid. Later, he was a special assistant to the President on foreign affairs.

As the Truman Administration approached its end, Mr. Harriman began to nurture presidential aspirations. In 1952, he became a candidate for the Democratic nomination. He had much support

. . . Governor has tie-up with the Tammany leader

in the New York delegation at the outset, but this evaporated as the Stevenson boom took shape.

Tammany alliance. After the Eisenhower victory, Mr. Harriman found himself without a job. He rested, returned to his private business interests and kept a close watch on New York politics. He and Mr. DeSapio formed a close alliance. The latter almost single-handedly gave Mr. Harriman the New York Democratic gubernatorial nomination last autumn, when it seemed about to go to Franklin D. Roosevelt, Jr.

In the general election, with the DeSapio organization hard at work, Mr. Harriman barely squeaked through against Republican Senator Irving M. Ives. He won by less than 12,000 votes, but that was enough to place him in the thick of the contention for next year's presidential nomination. Meanwhile, his political obligation to Mr. DeSapio is obviously great.

Intense worker. The Governor is tall, slender, somewhat stoop-shouldered, a solemn man of much physical energy, accustomed to working at an intense pace. He looks much younger than his 63 years. Last winter, he gave an exhibition of his ruggedness by a three-hour skiing session in the Adirondacks.

The Governor is considered essentially a shy man who works best with small groups. But, in such gatherings, while he can be persuasive he also can answer questions with an unexpected brusqueness. He has been making an effort to improve his public speeches, which many have considered humdrum, bumbling.

Close to Mr. Stevenson. Since 1952, Mr. Stevenson and Mr. Harriman have become close personal friends. Mr. Stevenson has been an overnight guest at the Executive Mansion in Albany.

The Governor hopes that Mr. Stevenson, soon after returning from his present African tour, will clarify his 1956 intentions. If he is not going to run, Mr. Harriman and Mr. DeSapio want to get to work early and openly, building an organization, making alliances that will lead to next year's nomination. Meanwhile, Mr. DeSapio is keeping in close touch with the men who count in the party.

In the last half century, the Democratic presidential nomination has gone to eight individuals, one or more times. Five of the eight were Governors of States and two were Governors of New York. On this and many other counts, politicians feel that Mr. Harriman is a man who must be taken into consideration in selecting a 1956 nominee.

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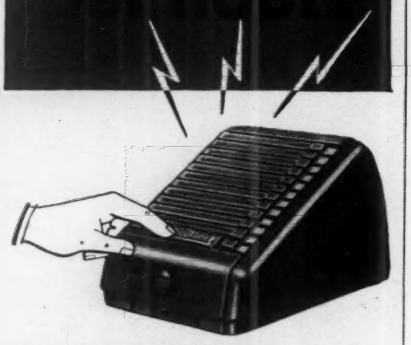

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We've Been Asked:

ABOUT DRAFTING DOCTORS

- **Should the Government continue to draft physicians and dentists for the armed services?**
- **The Pentagon says yes; medical groups say no.**
- **Now it's up to Congress to give a final answer.**

What's all the argument over drafting doctors?

The debate is over extending the doctor-draft law for another two years, till July 1, 1957. This is the law under which physicians and dentists, up to the age of 51, can be drafted for two years' duty in the armed forces and in the Public Health Service.

Why is this needed? What's the argument in favor of extending the law?

Both military and civilian spokesmen in the Pentagon say that it is absolutely necessary to extend the medical draft law to get the physicians and dentists needed by the armed forces in the next two years. They say there is no other effective way of obtaining such medical staffs. Many of the young doctors can be taken through the regular draft. But, it is said, this is not enough; also, the medical draft is sought to make sure that there are some older and more experienced medical men who cannot be called through the regular draft.

What do opponents say?

Opponents of the extension, headed by the American Medical Association, say that the medical draft is discriminatory in that only one professional field is singled out for a special draft—and then up to the age of 51. They say that, in the services, doctors are called on to do many things that could be handled by others, such as nurses, enlisted men and civilian personnel. Furthermore, they complain that physicians and dentists are given much "nonmilitary" work, such as caring for dependents of officers and men—including delivery of babies and prescribing for them. Much of this practice, it is argued, should be done by civilian hospitals and medical staffs.

The American Dental Association further complains that the military services waste professional manpower, at the expense of civilians. It says that the armed forces can get enough dentists to meet reasonable needs without this special draft. The Association also contends that too many dentists in their 40s are being called to active duty.

Will the draft be continued?

That's considered very likely, though there may be some changes in the bill just approved by a House committee.

How many will be drafted?

The Defense Department figures that more than 7,000 M.D.'s will be needed in the next two years. Many of these can be obtained through the regular draft act, under which persons who had Selective Service deferments to continue their studies can be drafted up to the age of 35. Other than this group, it is figured that about 2,200 physicians will be needed from the special draft law. Similarly, about 500 dentists will be needed under the special draft law to take care of nearly 4,000 replacements in the next two years.

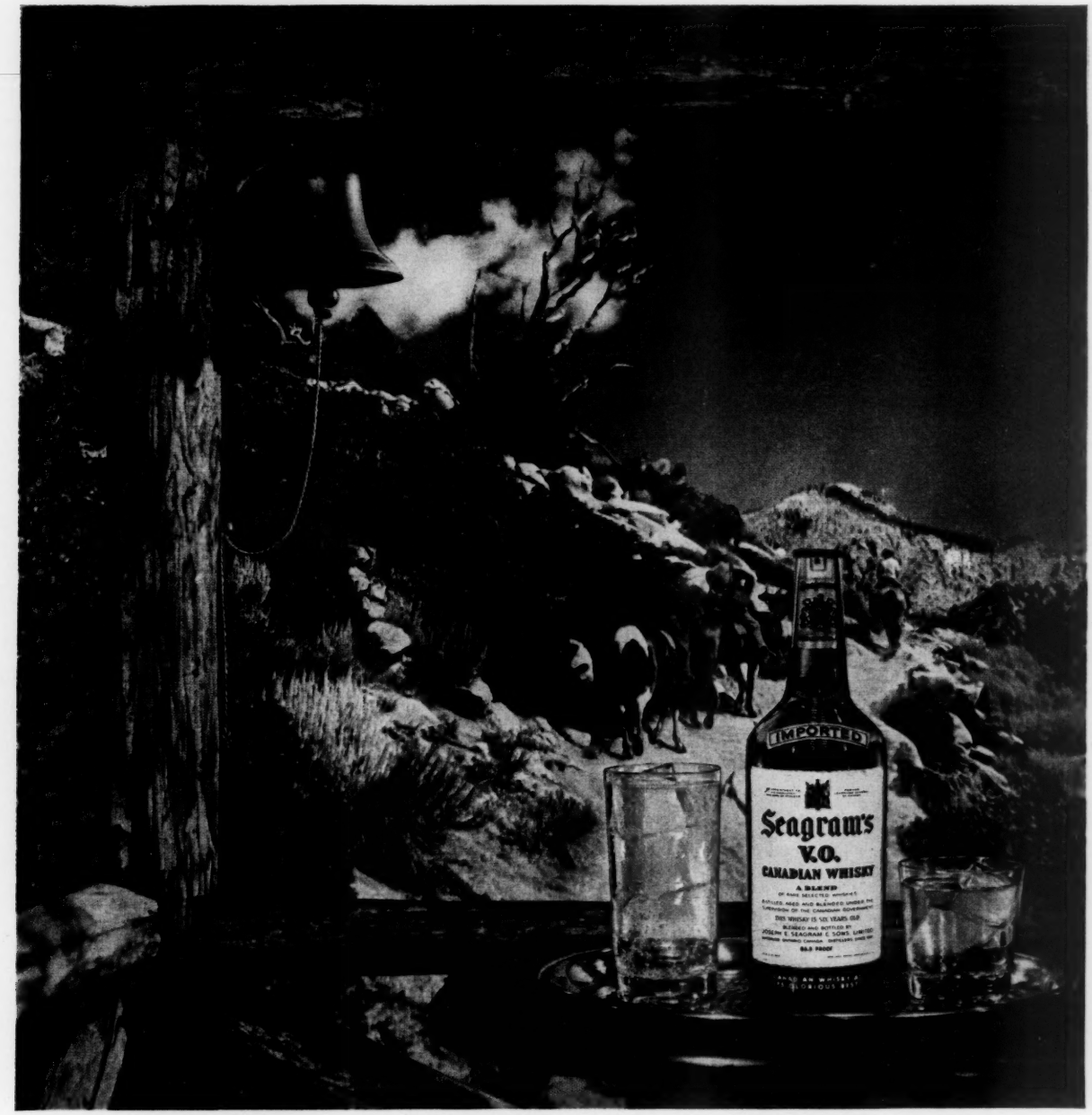
How are medical men selected in the draft?

Doctors go through the same local Selective Service boards as other draftees. But, for physicians and dentists, the boards have local advisory committees. These groups make special screenings, taking into consideration the availability of physicians and dentists and their essentiality to their communities. The advisory groups then make recommendations to local draft boards, which decide who is to be called up. The doctor-draft law also has a system of appeals.

Are there priorities?

Yes, there is a system of priorities, with four classifications. These take into consideration such things as wartime deferment for medical studies, Government aid for medical education and previous military service.

If extended, the doctor-draft act is expected to operate on much the same basis as since it first began in 1950. Also, men who accept commissions as physicians and dentists—as well as veterinarians—will continue to receive extra pay of $100 a month. Under the bill now before Congress, a new provision would set up a system of scholarships for about 300 medical and 126 dental students a year. They would have to promise to serve from three to five years on active duty.



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IN YOUR PERSONAL PLANNING

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A different slant on job prospects for graduating college students comes from a newly published survey. This is what it shows:

JOB STUDY. Engineering graduates get the most job offers and the highest starting salaries. But many graduates in other fields, over the long run, catch up with--and often pass--engineers in earning power. These findings come from an employment study made by the director of placement at Northwestern University.

The average engineering graduate, who started off five years ago with a salary of $270 a month, now makes $513, the survey shows. The average student with accounting or general-business training, starting lower, still trails the engineer--though his earnings have risen at an equal rate. But the average graduate in sales fields, who began at $254 a month, now makes $547.

Among graduates of five years ago now rated as outstanding in their jobs, this is the picture: Engineers who started at $274 a month now get $607; but commerce graduates, who began at $263, now get $666; and liberal-arts graduates --who started lowest among this group, at $254--now earn the most, $679.

COLLEGE GRADUATES. Individuals who stand out in their jobs also did well in college, the study reveals. None made below-average grades, three fourths had above-average records. The survey also showed that their employers most often named the ability to work well with people as a characteristic that made these individuals outstanding. Other traits, in the order most frequently mentioned: ability to get things done--thoroughness, perseverance; ability to think things out; initiative; leadership.

MEDICAL EXPENSES. A long, detailed ruling on what you can--and what you can't--count in figuring medical-expense deductions for income tax purposes is issued by the Internal Revenue Service. It explains, for example, the circumstances under which you can claim the cost of such things as whisky, food, rubdowns, bedboards, trips to Florida, and installation of an air conditioner, as well as drugs and doctor bills. The ruling appears in issue Number 18 of the Internal Revenue Bulletin. Copies can be obtained from the Government Printing Office, Washington 25, D.C. Price, 10 cents.

SICK-LEAVE PAY. The special break on payments received while an individual is absent from work because of illness or injury, provided now by tax law, also applies to servicemen, the federal tax collector rules. That means an officer

(over)

or enlisted man may be able to ignore, as income for tax purposes, up to $100 a week of pay received during such a period--even though it includes time he spends in a hospital doing light work while convalescing.

FARM-EMPLOYE TAXES. This to straighten out widespread confusion over Social Security tax forms sent to farmers: The forms call for payment of any tax that may be due on earnings of their farm employes, but provide no space to list the employes' names or Social Security account numbers. People ask how proper credit toward a Government old-age pension can be received for the amount paid.

Actually, farmers who are required to send in this form also will have to file another at the end of the year. The year-end form provides space for the name and account number. In effect, the Government is saying: If you owe any tax now, pay it, and we'll get the rest of the details later.

Note, though, that most farmers will not have to file the form that is causing confusion. As we pointed out in an item a few weeks ago, it is required only after the actual amount of the tax due--not the wages paid--reaches $100.

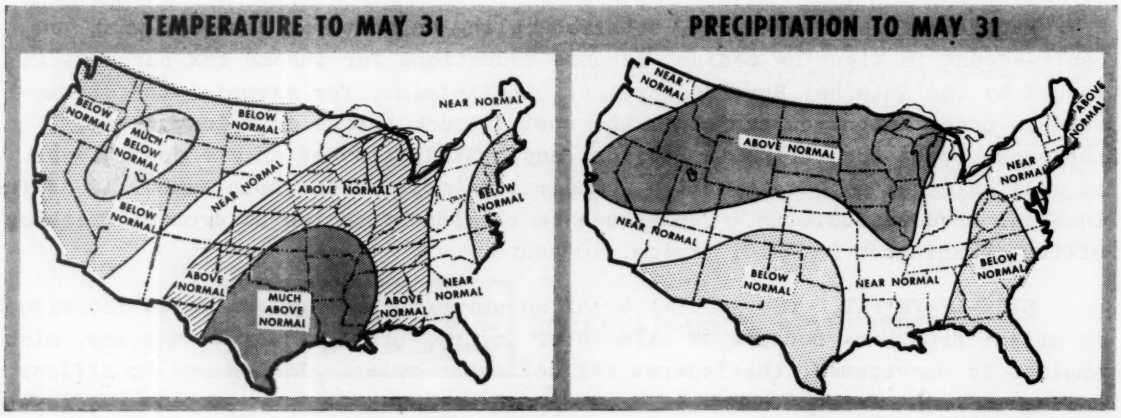
CALENDAR NOTE. Don't let the fact that the deadline for income tax returns was shoved back to April 15 give you the idea that the due dates for succeeding quarterly payments on estimated tax also have been set back a month. The second installment, as in the past, is due June 15.

CAREERS. Graduating college students can get tips on careers in Government service, plus an explanation of how federal jobs are filled, from a new Civil Service pamphlet. It's to be available in most college job-placement centers.

GARDEN SPRAYS. Looking for a simple, safe, all-purpose spray for trees and shrubs? This formula comes from the Massachusetts Extension Service.

To a gallon of water, add: three tablespoonsful of methoxychlor--50 per cent wettable powder; two tablespoonsful of malathion--25 per cent wettable powder; three tablespoonsful of captan--50 per cent wettable powder. These pesticides are available in most garden-supply stores. They may also be found, though perhaps in different proportions, in commercial mixtures.

WEATHER. Pacific and Atlantic seaboards are to be unseasonably cooler the rest of May. So says the Weather Bureau outlook on which these maps are based:



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ADMIRAL RADFORD TALKS ABOUT CHINA, RUSSIA AND U.S. DEFENSES

Admiral Arthur W. Radford, Chairman of the U. S. Joint Chiefs of Staff, appraises in this way the strength that counts around the world:

• China is weak, dependent on Russia for guns, aircraft, tanks, fuel, and with a transportation system that rules out fast deployment.

• Russia remains on a war footing, pouring more of her efforts into armament than could ever be justified by defense needs alone.

• U. S. forces, even with planned cutbacks, will be strongest ever in peacetime, adequate for early stages of war, ample for build-up.

In what follows, you get Admiral Radford's testimony on this subject before Congress.

Following are extracts from the testimony of Admiral Arthur W. Radford, Chairman of the Joint Chiefs of Staff, before the Subcommittee on Department of Defense Appropriations of the House Committee on Appropriations, as released on May 2, 1955:

Representative Scrivner [Errett P. Scrivner (Rep.), of Kansas]: Admiral Radford, in view of your more than 40 years of military experience, would you tell this committee, in your opinion, how ready we are at this time to meet any emergency?

Admiral Radford: I feel as of today that we are better prepared to meet an emergency than we ever have been during my service in the armed forces. We have a flexible combination of land, sea and air forces with a wide variety of weapons and capabilities, including nuclear, which in my opinion is fully adequate for the security of the United States. We have strategic air forces and carrier task forces which are unmatched by any other nation. We have modern jet tactical air forces which can carry either high explosives or atomic bombs, depending on what the target requires. We have Army and Marine Corps ground forces consisting of well over a million men.

In fact, the United States forces we plan to maintain are the most powerful, individually by service and collectively as a team, that our nation has ever undertaken to maintain during a period when we were not actually engaged in a shooting war. These forces are fully adequate to perform all essential tasks in the initial stages of a shooting war, global or otherwise, and they constitute an ample base which will permit a rapid and orderly build-up when and if that should become necessary.

* * *

Representative Mahon [George H. Mahon (Dem.), of Texas]: Compared to three or four years ago, what is the relative relationship between this country and the Soviets with respect to strength? . . .

–United Press

ADMIRAL RADFORD

Admiral Radford: In the last three or four years, in my judgment, our strength has increased more than theirs due primarily to the tremendous development of our jet aircraft and our weapons-delivery system.

* * *

Russia "Never Demobilized"

Representative Sikes [Robert L. F. Sikes (Dem.), of Florida]: Do you consider it significant that the Russian military budget has, according to today's press, been increased by 12 per cent while ours is being reduced?

Admiral Radford: Well, of course, when you talk about the Russian military budget, in the first place I have no reason to believe that we have accurate figures on what the Russians are spending for their military machine. Actually, so far as I know, the Russians have never demobilized and they are practically, to all intents and purposes, on the same footing they were on during World War II. Their major effort is in support of their armed forces.

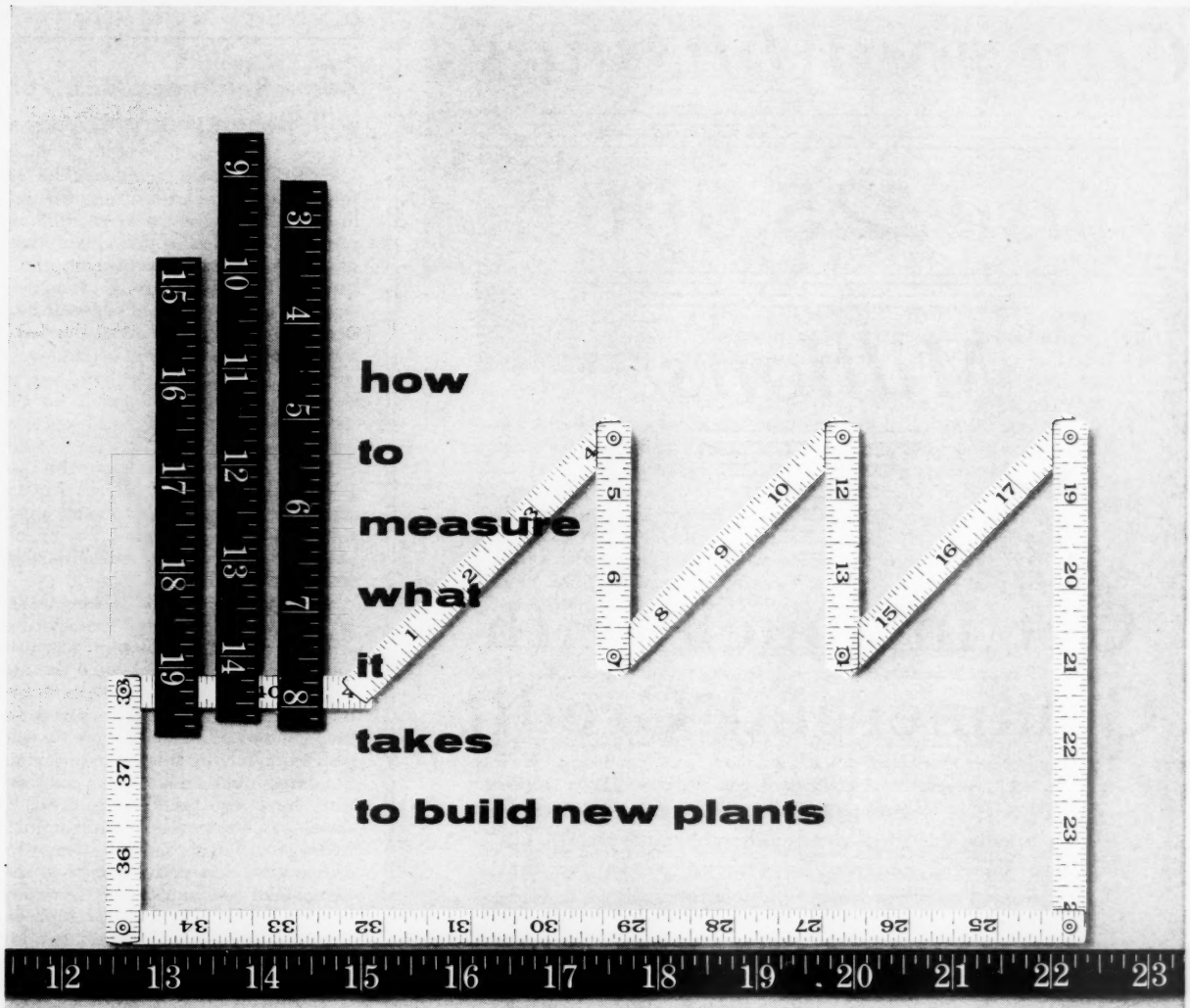
Representative Sikes: The same would be true of their satellites, would it not? There has been no appreciable demobilization on the part of any of their satellites, including Red China?

Admiral Radford: I think that is true. In our case, of course, the way our budget is set up, you cannot compare this year with last year. . . .

Representative Sikes: The budget you are bringing to us, as I interpret what you have said . . . the feeling back of it is that we can depend on our allies to provide greater help in the ground forces than they have provided before; and, therefore, we can take a chance on cutting that part of our military establishment in order to save money? Is that a fair statement or not?

Admiral Radford: I do not feel that I can say exactly what the reasoning behind all the decisions are. Some of them are outside my area of responsibility.

(Continued on page 94)



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Adm. Radford: "U. S. forces will be very strong" . . .

However, I will say this: The armed forces of the United States which will be in being during fiscal year 1956 if this present budget is approved, or the program is in general approved by the Congress, will be very strong. They will be stronger in air power. They will be very strong in naval power. And there will be some reduction in Army forces.

° ° °

New Power in Air

Representative Wigglesworth [Richard B. Wigglesworth (Rep.), of Massachusetts]: Would you tell us something about the comparative striking power of the airplane today compared with the airplane in World War II?

Admiral Radford: It is something like 20,000 times as great or more. The striking power of modern aircraft has increased tremendously since the days of World War II and its conventional weapons. Not only have the speed, range and general effectiveness of aircraft improved, but the related equipment for bombing, navigation and over-all operations have also greatly improved. These developments, coupled with atomic and hydrogen weapons, have greatly increased the destructive power of the airplane. As President Eisenhower stated in his speech in December, 1952, before the General Assembly of the United Nations:

> "A single air group, whether afloat or land-based, can now deliver to any reachable target a destructive cargo exceeding in power all the bombs that fell on Britain in all of World War II."

° ° °

Representative Scrivner: Some of the questions asked, Admiral Radford, have shown a great deal of desire for knowledge about Red China. They have a lot of men in their Army. What would you say is Red China's war potential . . .?

Admiral Radford: Because of the inadequacy of Red China's industrial base, that country would be unable to produce either heavy military equipment to increase their forces or the necessary replacement parts to maintain their forces for a sustained effort. Highway systems, as we know them, are practically nonexistent. Railroads are few, limited generally to north-south traffic with few spur lines. River and coastal traffic comprise the bulk of China's transport. Thus China's transportation system would not permit rapid deployment of large numbers of troops.

Having no aircraft factories, Red

. . . "Communist Chinese are dependent upon Soviets"

China is dependent upon the U.S.S.R. for planes and replacement parts for planes already acquired. China has no shipyards capable of constructing or repairing modern warships or merchantmen. The Communist Chinese are entirely dependent upon the Soviet Union for tanks, trucks and armored cars. Since China is not self-supporting in petroleum products, all military services would be dependent upon the Soviet Union for large quantities of refined petroleum products required in a sustained effort.

Need for Ordinary Arms

Representative Scrivner: . . . We are spending literally billions of dollars on A-bombs and H-bombs. Are we going to use them if needed?

* * *

Admiral Radford: I assume so . . .

Representative Scrivner: . . . If we are making them and we have the will to use them, why do we have such great continuing requests for what we call the normal or conventional bombs or ammunition of all kinds?

Admiral Radford: Because there could be many situations short of a global war where we might prefer to use nonatomic weapons. Also there could be many situations even in a global war where the use of nonatomic weapons alone or in conjunction with atomic weapons would be advantageous.

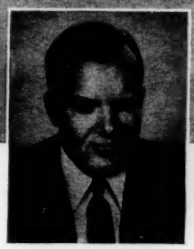
It is important for us to have the flexibility and facilities to respond in whatever manner appears to be to our advantage under the circumstances existing at the time. In assessing the military requirements of today, I would like to point out that in my estimation military planners have never had so many intangibles to reckon with. The simplest thing to do, of course, would be to prepare for either an atomic war or nonatomic war. . . .

To be prepared indefinitely for both an atomic and a nonatomic war on a global basis would require expenditures of such magnitude that it would be staggering even for this country.

On the other hand, atomic weapons are certainly not yet in the category of high-explosive bombs and shells from a quantity standpoint. Actually we are continuing to build up our atomic stockpiles and at the same time we are maintaining and improving our other weapons. In the military, the men who are sincerely trying to forecast in their planning efforts what we need have a

(Continued on page 96)

Rockwell Report



by W. F. ROCKWELL, JR.
President
Rockwell Manufacturing Company

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That is why today, and for some years to come, materials handling undoubtedly presents the richest opportunity for important cost savings.

Take a hypothetical company, for example. Of its cost dollar, thirty cents is labor cost. Of this thirty cents, ten is production labor—but *twenty* cents is materials handling labor.

In this situation, which is not unusual, a ten per cent cut in movement and storage costs equals a *twenty* per cent cut in production costs!

No one knows nearly enough about cutting movement costs. The first step in finding out more, we believe, is to give materials handling greater importance in management thinking—equal to production itself.

The second step (at least for us) is to consider materials handling not as a series of isolated, individual problems, but as a *total function* which includes movement of raw materials and components from suppliers into plants, through the plants, and then through distribution channels to the point of ultimate use.

When the movement of materials is looked at in that fashion, it becomes possible to integrate it with product design, production, packaging, distribution, even with plant location. It is then that it presents a whole new and important set of opportunities for both immediate and long-range economies.

* * *

This month, engineers at our subsidiary, Edward Valves, Inc., are completing an eight month plant study course in Nuclear Physics and its future application in the power industry. While the course was designed primarily to further the understanding of Edward engineers not immediately involved in nuclear research, it also served as a review of basic nuclear problems for those working in the field.

* * *

Not long ago, one of these reports emphasized our policy of encouraging our General Managers and their staff people to take an active part in serving their communities. After it appeared, a reader sent us this quotation from Jean Jacques Rousseau: "When public service ceases to be the chief business of the citizens, and they would rather serve with their money than with their persons, the state is not far from its fall." It sums up pretty well how we feel.

* * *

Since the beginning of the year, two more cities have switched to taxi metering from old-fashioned zone operation. We're happy that these two cities selected the new electric Rockwell-Ohmer taximeters, made by our Register Division; but we're far from complacent. There are still 200 cities of 25,000 or more population that remain to be converted to this far more equitable method of fare computation.

One of a series of informal reports on the operations and growth of the
ROCKWELL MANUFACTURING COMPANY
PITTSBURGH 8, PA.
for its customers, suppliers, employees, stockholders, and other friends

the new IDEA that traveled around the world

It's the idea that lets you record your dictation right at your secretary's desk — electronically — at the touch of a button. In 36 countries of the world where the Gray PhonAudograph is sold, this new concept of dictation is changing office procedure. It's making paperwork faster, easier, almost automatic . . . cutting correspondence costs virtually in half! For a demonstration call your Audograph dealer today — or write us for your copy of "Pushbutton Dictation."

PhonAudograph's plastic discs offer the fidelity of "constant linear speed" recording—and the *flexibility* of three sizes: 20, 30 and 60 minutes.

GRAY PHONAUDOGRAPH

The Gray Manufacturing Company
Hartford 1, Connecticut

. . . A-bomb "an advance without precedent"

great division of opinion and very honest disagreements. . . .

With respect to atomic weapons, they represent a technological advance that is without precedent in military history. Perhaps their full impact is not yet appreciated. In my opinion we have to straddle the fence with respect to atomic and nonatomic weapons for two reasons. One is that we must have a flexibility of response to deter aggression. . . . Also we are always aware that even in situations where we might prefer to use atomic weapons, the circumstances could be such that we might be restricted from doing so for other reasons.

* * *

Representative Mahon: . . . I wonder why the Soviets . . . don't reduce their number of divisions . . . Will you sort of put that in perspective for the committee, Admiral?

Admiral Radford: The answer to your question, Mr. Mahon, is that Russia certainly could reduce its forces if the Soviet leaders had a sincere desire for peace and abandoned their objective to communize the world. However, they maintain forces far in excess of any defensive requirements. . . .

In my opinion, there are several reasons for this, all of which basically are in support of the ultimate goal of the Soviet leaders, a Communist world dominated by the Kremlin and controlled from Moscow. They use this large force as the pressure or threat behind their political, propaganda and subversive campaigns to acquire new satellites. In addition, even after new victims are once acquired, force or the threat of force is required to insure complete obedience to the party line and to prevent any possibility of internal uprisings. . . .

Soviet Aim: Domination

In pursuance of their avowed aims of world domination, they must be prepared at any time to take over and subjugate the peoples of the free world should such an eventuality appear feasible to them either through military action or otherwise. . . .

An additional reason for their maintenance of large conventional forces is the hope, on their part, that through their propaganda efforts the free world will agree not to use atomic weapons under any circumstances, including self-defense. The relative advantage to the Soviet bloc should we ever enter into such agreement is obvious.

Special Report

(This article represents the result of an extensive research on a problem of outstanding importance.)

23 BILLIONS A YEAR —JUST FOR INTEREST

People are doing a great deal of borrowing these days, but few bother to note the cost.

Just about everything—from factory buildings to vacations—is being done on somebody else's money.

Total interest bill, up in the many billions, has been rising. Now new developments of various kinds are tending to accelerate the rise.

Cost of interest payments, already enormous in this country, is on the rise—for businessmen, ordinary families and governments.

At this time, all debtors together are paying out more than 23 billion dollars a year in interest on total debts amounting to about 710 billion. This 23 billion—which excludes repayments of debt itself—is twice the size of the country's total interest bill in 1946. It amounts to more than half as much as the country's huge outlay on all national defense.

Growth in debt itself, of course, is one factor boosting interest costs. The tendency these days is to do just about everything on credit. People are borrowing more money, for more things, for longer periods.

Now the growth in interest costs is being accelerated by a new rise in interest rates—the prices you pay for the use of other people's money. The U. S. Government, concerned lest easy credit generate a new inflationary spiral, is using its vast monetary powers to make credit scarcer and dearer.

The chart on this page shows where these trends already have led. To understand how it all came about, take a look at some of the major types of credit.

More mortgages. Home buyers now are paying 3.6 billion dollars a year in interest on mortgage debt amounting to about 75.6 billion. This 3.6 billion of interest—it excludes payments reducing the debt itself—is nearly four times what it was in 1945, and about three times the 1929 total. Developments that led to this rise are both interesting and significant.

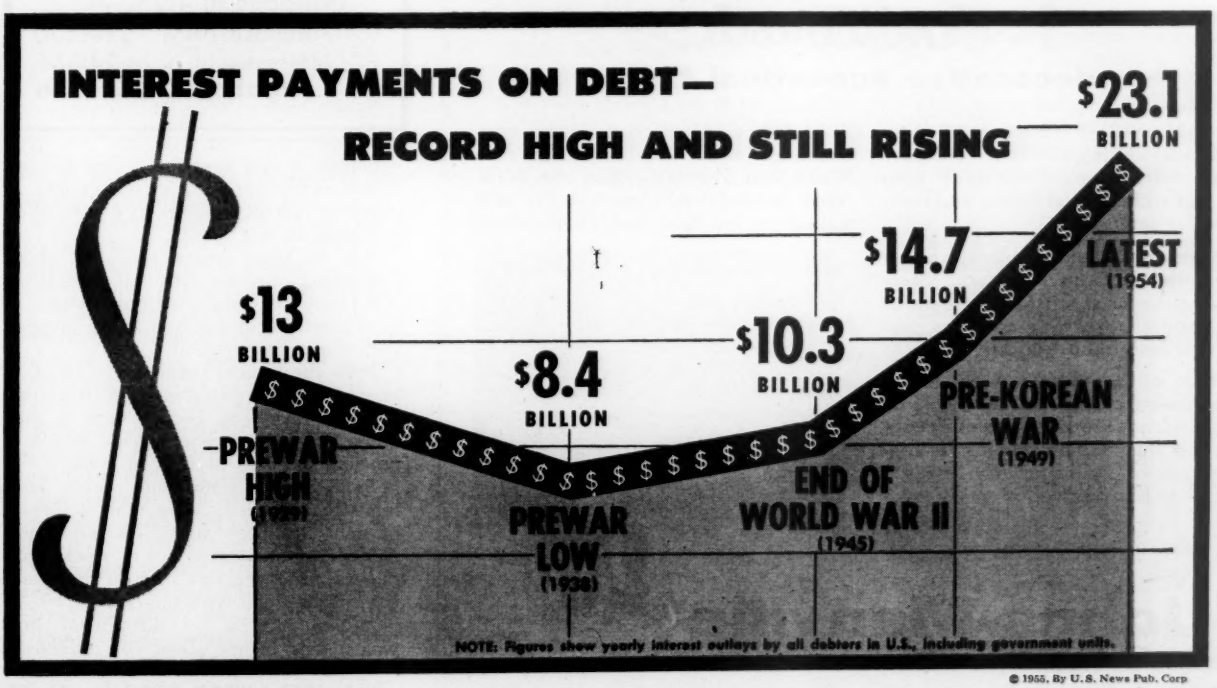
Back in 1929, most home buyers were borrowing their money for short terms. Down payments were large, usually around half of a home's value, and relatively few families were buying houses.

Now more than half of all families own or are buying their homes. They enjoy low interest rates, averaging a bit over 4.8 per cent. Yet, with far higher home prices and very small down payments, mortgages themselves are much larger than in 1929. Also, they are stretched out over longer periods, 20 years or more. Result: a huge and growing bill for interest payments.

More recently, other developments have been swelling the interest bill.

For one thing, down payments have been made smaller than ever, and repayment periods even longer—particularly for veterans. A veteran buying a $15,000 home with a 4.5 per cent mortgage offers an example, as the table on page 99 shows. If the veteran puts down $2,500 and takes 20 years to pay, his interest bill comes to $6,490. If he puts nothing down and takes 30 years to pay, his interest costs will be $12,378.

(Continued on page 98)



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This view in the Board of Directors Room of the recently completed general offices of the Brown Shoe Company, St. Louis, Mo., shows how Permacoustic provides a ceiling that is beautiful and acoustically functional.

A beautiful Solution

TO NOISE-CONTROL PROBLEMS

Johns-Manville

Permacoustic

decorative acoustical tile

Johns-Manville Permacoustic® is an acoustical ceiling tile that combines maximum acoustical efficiency with unusual architectural beauty and complete fire safety.

Permacoustic is available with either a textured or fissured surface. These random-textured finishes increase its high sound-absorbing qualities, and provide design and decorative interest.

Made of baked rock wool fibers, Permacoustic is fireproof—meets all building code fire-safety requirements. It is easy to install on existing ceilings or slabs, or by suspension using a spline system of erection.

Send for your free copy of the new brochure about Permacoustic tile. Write Johns-Manville, Box 158, New York 16, N. Y. In Canada, write 565 Lakeshore Rd. East, Port Credit, Ont.

JOHNS-MANVILLE JM PRODUCTS

Johns-Manville

40 YEARS OF LEADERSHIP IN THE MANUFACTURE OF ACOUSTICAL MATERIALS

Families often buy all their big items on credit . . .

Other recent changes in buying habits add to interest. Only a few years ago, the practice was to buy a home and then stock it with a refrigerator and other equipment bought on the installment plan. Now many new homes—and new mortgages—come equipped with these.

The table on this page shows the result. In the example, the family financing its $300 refrigerator along with its house, on a mortgage, is paying $247.56 additional in interest costs.

Consumer debt soars. That new wrinkle—home equipment on mortgages—though, is not averting a rise in consumer debt. In fact, developments in consumer credit amount to a revolution in family buying habits.

A New Refrigerator —3 Ways to Pay

If you pay cash—
Total cost $300.00

If you pay $30 down, balance in 18 months—

Purchase price	$300.00
Interest	20.25
Total cost	**$320.25**

If your new refrigerator comes with your house, to be paid for with a 30-year mortgage at 4½%—

Purchase Price	$300.00
Interest	247.56
Total cost	**$547.56**

Not so many years ago, just about everything was on a cash-and-carry basis. The family that could not pay cash for its new furniture or car had to be satisfied with the old equipment.

Now the typical family buys all of its major equipment—automobile, furniture, TV set, range—on credit, with a little down and a long time to pay. Result: a phenomenal rise in interest costs.

Since 1939, installment debts have more than tripled. More than 9 billions of debt has been added on cars alone. And the dollars taken out of weekly pay checks to cover the interest bill have risen right along with the debts.

Where interest on installment debt was costing people about 709 millions in

. . . Interest on U.S. debt is 6.9 billions a year

1939, it now costs about 3 billions. Most families would be shocked to learn that the average interest rate they are paying on installment debt is about 13.5 per cent.

New items now are being added to the family's credit-and-interest account. Vacations on credit—say, a tour of Europe—are but one example. With 18 months to pay, some families will be paying for this summer's vacation when next summer's rolls around—and paying interest for the privilege.

All these debts—and their interest charges—are rising, as more and more families decide to enjoy themselves now and worry about it later.

How Interest Costs Add to Home Prices

Financing a $15,000 home on a 4.5 per cent mortgage:

If you put $2,500 down and take 20 years to pay—

Price of house	$15,000
Mortgage interest	6,490
Total cost	**$21,490**

If you put nothing down and take 30 years to pay—

Price of house	$15,000
Mortgage interest	12,378
Total cost	**$27,378**

Government red ink. Cost of interest to government units—federal, State and local—is just under 8 billion dollars a year. In 1929, it was just a bit less than a fifth of that. Almost the entire rise has been in the federal portion. But State and local debt has been increasing since World War II.

Federal taxpayers—particularly individuals and corporations paying on their incomes—now are handing over 6.9 billions of their annual incomes for interest on the national debt. Back in 1929, the annual bill came to 733 millions.

State and local taxpayers—generally the same ones—are putting up 900 millions more in annual interest. That's not a great deal above what it was in 1929 or 1939, but it's nearly double the level

(Continued on page 100)

Want more people to buy your product?

There are two proven methods for expanding your sales. Both are being used with eminent success by prosperous businesses.

1. Increase the number of people who prefer and use your product — *and who tell their friends about its advantages.*
2. Reduce the number of people who undervalue your product because they are inadequately informed.

You can progress toward both these goals with the help of well-printed, well-circulated printed pieces.

How Printed Pieces Work for You

Good printed pieces can explain *why* and *how* your product delivers greater benefits — and thereby make sales for you. Good printed pieces can prompt your customers to recommend your product to others, thus combining the authority of the printed word with the power of word-of-mouth advertising.

Furthermore, good printed pieces can erase prejudices created by ill-informed gossip. By fully explaining, illustrating and documenting the facts of your superiority, both major and minor, your story IN PRINT can set people straight and correct false notions that too often divert sales into competitive channels.

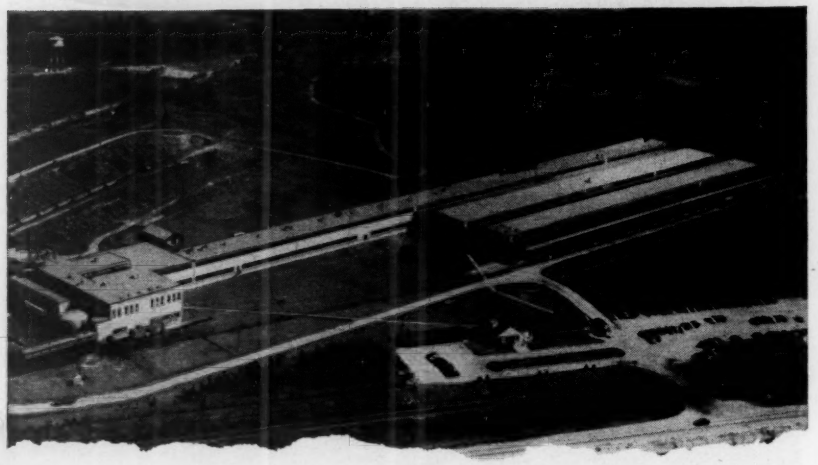
Your Ally — A Good Printer

No matter what form of selling literature you need — booklets, brochures, broadsides, bulletins, folders, reports, manuals, house organs, catalogs — you *first* need a good printer. And you need him as part of your working staff *right from the start.*

Only when you call him in at the beginning of your planning can he save you most in time, effort and money. Then he can most effectively apply his unique skills and techniques. One thing is practically certain: He will specify Warren's Standard Printing Papers for your job, for a good printer knows Warren papers deliver brilliant printing results with uniformity and economy. *S. D. Warren Company, 89 Broad Street, Boston 1, Massachusetts.*

BETTER PAPER — BETTER PRINTING

Warren's STANDARD *Printing Papers*



"We're in the Heart of the Southern Market"

I. J. HARVEY, JR.
President
THE FLINTKOTE COMPANY

"When we were selecting a site for our insulation board plant, many natural advantages drew our attention to the State of Mississippi. We found good workmen, an adequate supply of the basic raw material needed in the manufacture of insulation board — top quality Southern pine and a climate that lent itself to the rapid replacement of forestry products.

"We also found, in the Meridian area, an economical source of power and gas needed to run our machines and drying ovens.

"With our national distribution, the Meridian area gave us an excellent location with regard to North-South freight rates, thereby giving Flintkote a good competitive shipping position.

"But perhaps the most compelling factor was the cooperative spirit of the Government and the people of Mississippi and Meridian in the solution of our common problems and their recognition of the desirability to their economy of balancing agriculture with industry."

Scores of other nationally known industries have similar success stories to tell.

Although Flintkote financed its own Mississippi plant, many industries today are taking advantage of the state's BAWI (balance agriculture with industry) plan under which political subdivisions may vote bonds to finance the purchase of sites and the construction of buildings for lease to new or expanding industries.

We invite your further investigation of Mississippi and its BAWI plan. Your request for information will be handled promptly and treated with confidence.

A DECADE OF PROGRESS IN MISSISSIPPI
BAWI
MISSISSIPPI
AGRICULTURAL AND INDUSTRIAL BOARD
State Office Building • Jackson, Mississippi

. . . Credit costs are up, but incomes rise faster

of 1947. Rapid increases in populations and vast migrations of families to new communities are forcing States, cities and counties to spend more and more billions on new schools, roads and sewerage and water facilities all the time. Much of this outlay is "on the cuff."

Small rise for farmers. Only the country's farmers, of all major groups, are carrying an interest burden that's little larger than in 1929. Farmers' debts were trimmed back sharply during the depression '30s and the wartime half of the '40s. Their total debt fell from about 14.6 billions to about 8 billions. Now it's up to 18 billions.

In the meantime, though, interest rates paid by farmers have fallen. They are about a fifth lower than in 1929. So total interest costs to farmers now are only a shade more than in 1929, or about a billion dollars a year. Even so, the total is nearly 2.5 times what it was in 1945.

Corporations follow pattern. The swing to "business on the cuff" is one that corporations have accepted enthusiastically. It's been 25 years since corporations emphasized the sale of common stock, rather than bonds, in long-term financing. Short-term credit that business uses in daily operations also has grown.

Now all corporations together owe 102 billion dollars in long-term obligations, and they're paying out 3.7 billion a year in interest. Those interest costs had dropped from nearly 3 billion in 1929 to about 1.7 billion in 1946. Interest on short-term debt, meanwhile, is costing corporations several hundred millions a year.

Who pays whom. All in all, the rise in interest costs in the U. S. in a generation has been spectacular. To keep this rise in perspective, though, you need to note some other significant points.

Income, for one thing, has been rising, too, and even more rapidly than interest costs. So interest costs now are less than half as big, in relation to national income, as they were back in 1929.

Also, people and companies paying interest often are the same ones that collect interest. Individuals and families who, together, are paying out billions in interest on mortgages and installment debt are collecting other billions in interest on savings deposits, savings bonds, life insurance, pension-fund equities and the like.

Thus, what you can end up with in this look at interest is the conclusion that credit and the cost of it are playing a vastly bigger role in the U. S. than formerly—but that perhaps people can afford it anyway.

A green-and-white stripe "fashion" canvas brightens Saks exterior

Why Saks Fifth Avenue says "Welcome" In Canvas —

In Department Stores (as with people) first impressions are important. We are proud that famed Saks Fifth Avenue has chosen to make that impression with awnings of Wellington Sears canvas.

The reasons are clear. Modern canvas offers beauty and utility to store-fronts, making window-shopping pleasant, protecting merchandise, cutting air-conditioning costs.

Have you seen the versatility of today's canvas? Fabrics and finishes are being engineered to resist mildew and weather, to combine sturdiness with flexibility. "Dress-up" canvas is bringing new appeal to outdoor furniture and interiors. Commercial installations have proved vivid, inexpensive, easily varied. From awnings to tarpaulins to tents, canvas covers the future.

If canvas has a part in your future, it will pay you to specify Wellington Sears fabrics. They are carried by leading duck distributors and fabricators of awnings and other canvas products. Or if you have any problem involving industrial fabrics, we will be glad to help you find the answer. Write for illustrated booklet, "Modern Textiles for Industry."

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Reports on Steel and Autos—

TWO INDUSTRIAL LEADERS LOOK AHEAD 20 YEARS

An insight into what top-level executives in two of the nation's biggest industries foresee for the next 20 years—

• In steel, Benjamin F. Fairless, retiring head of U. S. Steel Corporation, predicts that capacity must be increased by his company alone equal to a new plant every two years.

• In automobiles, Chrysler Corporation president Lester L. Colbert, Jr., says we will be "even more [illegible] **and** [illegible] **than we are today."**

You get, in these features, opinions voiced by both industry officials.

MR. FAIRLESS: "FURTHER EXPANSION WILL BE IMPERATIVE"

Following are extracts from an address by Benjamin F. Fairless, who retired as board chairman of the United States Steel Corporation on May 3, 1955, as delivered at the annual meeting of stockholders at Hoboken, N. J., on May 2:

. . . I should like, if I may, to give you a quick picture of the astonishing progress which our company has made in these last 19 years—from 1936 through 1954. And here are a few facts and figures which tell the story precisely:

• During this period, our steelmaking capacity increased by about 30 per cent. Our shipments were up 70 per cent; and in spite of all the technological improvements that have been made in our plants, our total work force expanded by more than 20 per cent.

• Looking at it in terms of dollars, we find that sales quadrupled. Employment costs did the same, and so did our payments for purchased goods and services. Our tax bill was nearly five and a half times as large as it was in 1936. And yet, in the face of all these mounting costs, the price of steel went up only about one and a quarter times—and we must remember of course, that the kind of steel we offered to our customers 19 years ago was but a distant cousin to the kind of steel we are shipping them today, for the quality of steel has improved enormously throughout this period.

So there is a glimpse of the picture from a purely operating point of view; but let us look at it, too, from the viewpoints of each of the economic groups which share in the fruits of our enterprise.

Now the lion's share of all the dollars we have collected from our customers has gone—as you know—to our workers. Over this period, our payments to—and for—our employes have totaled more than 16 billion dollars; and that, I think, is a pretty staggering sum, no matter how you look at it.

Straight-time hourly wages for steelworkers have been multiplied three and a quarter times; and fringe benefits—to increase the welfare and the security of our employes—are now 12 times as much as they formerly were. So the total cost of an hour's work, which used to be 70 cents back in 1936, rose to $2.65 by the end of last year. Meanwhile, the average work week was shortened by about 10 per cent; and —best of all—the accident-frequency rate was cut 60 per cent, despite the increased activity in all of our plants. So no one can deny, I am sure, that our workers have shared handsomely in our progress over the years.

So, too, of course, have our suppliers, for they received the second largest share of the money we took in. This amounted to almost 15 billion dollars; and it went to more than 50,000 companies, the vast majority of which were classified as small businesses.

Then, next in line, came the Government—federal, State and local—which stepped in and took another 3 billions out of the company's cash drawer—or more than two and a quarter times as much as the owners received from the business.

So you and I, as stockholders, wound up at the end of the procession, just as the stockholders always do in most large and successful American enterprises; but, nevertheless, we too have made considerable progress during these 19 years. Back in 1936, United States Steel was enjoying the most prosperous year it had known in six long years of depression; but still it was unable to pay a dividend on its common stock; and one of our present shares would have sold on the market in those days at about $16.50.

Today, of course, the owner of one of those earlier shares of common stock would be getting a dividend on it at the rate of $12 per year—which is quite a substantial improvement, to say the least. Meanwhile, the annual profits of the corporation have almost quadrupled, and out of the total income over these years, about three quarters of a billion dollars was reinvested in the business; while more than a billion and a third has been paid out in dividends on both classes of stock. So public confidence in our securities has risen markedly, and the number of stockholders has grown by 27 per cent.

That is not Utopia, to be sure, but at least it is progress!

And there are the bare, mathematical bones of the matter; but in my opinion, they do not even begin to tell the real story of the accomplishments of United States Steel, for, no matter how much our enterprise may benefit its owners, its workers, its suppliers and the tax collectors, the true measure of its success will always lie in its capacity to serve the na-

. . . Fairless: "U. S. Steel alone has developed 300 new steels"

tion, and in its ability to meet the needs of its customers—both public and private—in war and in peace. And it is here, I believe, that the record of our company has been truly outstanding.

In 1936 the total net assets of this corporation were about 1.8 billions of dollars. Since then, however, we have spent more than 3.25 billions on capital improvements. That means that to modernize and expand our facilities, we have already spent about one and three quarters times as much as our entire net assets of 19 years ago, and we have authorized the expenditure of nearly half a billion more.

Through these enormous capital expenditures—and by extending our operations in a vigorous and competitive manner into every section of the country, from Columbia-Geneva on the Pacific Coast to Fairless Works on the Atlantic seaboard—we have greatly enlarged our service to all of the American people.

° ° °

Today, for example, we have five times as many people employed in research as we did in 1936; and our metallurgists tell me that U. S. Steel alone has developed, and produced commercially, some 300 new and different steels which did not even exist when I first came here.

In addition, our laboratories contributed greatly, during the war, to the creation of several hundred new grades of emergency steels; while improved manufacturing and testing techniques have so enhanced the final quality of older, common steels, that thousands of new and broadened uses of them are now possible.

° ° °

. . . Since early January, this year, there has not been a single week when our orders for steel have not exceeded production; so our backlog of unfilled orders has increased rapidly until it now amounts to more than 6½ million tons. Moreover, the demand for steel, as reflected on our order books has exceeded, by a considerable percentage, our total productive capacity.

So, whereas it appeared last year that we had a substantial amount of reserve capacity to meet the future needs of our customers, it is now evident that a further expansion of our facilities will be imperative if the present demand for steel continues in the months ahead, as I hope and believe that it may.

But even should it subside somewhat, in the latter part of the year, there is no doubt in my mind that any realistic appraisal of the long-range future can only lead to the conclusion that the prospects for our company are the brightest in its history.

What the development of atomic energy will mean in the world of metallurgy no one knows as yet, but it is already apparent that the production of chemicals for plastics, synthetics and other uses will become an increasingly important part of our activities. Estimates of the Federal Census Bureau indicate, moreover, that the population of the United States will increase by 50 millions during the next 20 years; and with a rising standard of living, and a continued growth in productivity, the need for new homes, for steel, for cement, and for everything else we produce will mount enormously.

—U.S. Steel Corporation

BENJAMIN F. FAIRLESS

So far as steel itself is concerned, our experts now estimate that if our corporation is to continue to hold its present position of leadership in the industry, at the peak of the prospective demand, we shall have to create the equivalent of one new Fairless Works about every two years, throughout the next two decades. This does not mean, of course, that we shall actually build wholly new plants, from scratch; for most of this new capacity will be added to existing facilities, and much of it will come, as I have said, from improved technology and better shop practice. But nevertheless, that is a factual illustration of the magnitude of the task which confronts us.

MR. COLBERT: "ONE-CAR FAMILY COULD BE IN MINORITY"

Following are extracts from an address by Lester L. Colbert, president of the Chrysler Corporation, on May 2 at the annual meeting of the Chamber of Commerce of the United States at Washington, D. C.:

Our own program of expansion is evidence of our belief that the next 20 years will be one of the industry's greatest periods of accomplishment. Beautiful and efficient and useful as the modern automobile is, the cars of tomorrow will be even more responsive to people's needs. Research will continue to create new markets in this as in other industries.

Whatever happens to the design of the automobile and its power plant, we are confident that its use will increase greatly. By 1975 the one-car family could be in the minority—and a large proportion of families may be using three or more cars.

All of us feel optimistic about the long-range prospect for the economy—but at the same time we all recognize that there is no ironclad guarantee that it will go right on becoming

. . . Colbert: "Automation is a very timely blessing"

stronger and stronger and bigger and bigger. Our free and open economy has a wide-open future. In that future there is always the possibility of both failure and success, for individuals and for companies. There will be ups and downs for the economy as a whole. But there need not be anything like a serious and prolonged depression in this country if competitive business continues to do its work in the atmosphere of confidence.

One of the best reasons for being confident about the future is, of course, our rapidly growing population. It will continue to make heavy demands on business—demands which will keep our economy driving ahead to new records.

A very important record was set last year when 4,060,000 babies were born in the United States. This was the biggest baby crop in our history, but it was only the most recent of a long line of bumper crops in the years during and since World War II. And when those youngsters born in the war

—Chrysler Corporation

LESTER L. COLBERT

years grow and begin to marry and have their own children a few years from now, the population will really begin to grow. The census experts say it will reach 190 million by 1965 and 221 million by 1975.

All of this means that American business has its work cut out for it. The challenge is big and exciting. But there is one aspect of the growth in our population that presents us with a more than ordinary challenge. That is the fact that the working population, those from 20 to 65, will increase much more slowly than the population as a whole. The young men and women now coming of age and entering the working force were born in the depression years when the birth rate was low, and it will be 10 to 20 years before those born since the war become workers.

In other words, we will add many millions of older people and children to the population during the next 20 years, but not many people of working age. The population is growing fast at both ends and slow in the middle.

The job ahead is to produce enough goods and services to meet the needs of a rapidly growing population with a slowly growing force of productive workers. To do this job successfully will take the ingenuity of our engineers, the vision and hard work of management, farsighted policies on the part of labor, and heavy investments of capital. It will also require a continued understanding and constructive attitude by government toward the needs of the business community.

We have heard a lot about "automation" lately. Some are concerned about its threat to employment. Automation is really nothing new. It is only a new name for the constantly improving use of machinery and power so as to perform work more efficiently. The result of this continuous development is to raise productivity, multiply opportunity and raise the general standard of living.

Any advances we make in our production methods in the years immediately ahead will help us to expand the economy and, at the same time, support a greatly increased population. So automation—if we want to use that word to describe recent progress in efficient production—is far from being a threat of any kind. Instead, it is a timely blessing—a very timely blessing indeed.

Automation is only one of a thousand avenues of opportunity that are opening out into the future. In the field of atomic energy, new developments are coming so fast that it takes a specialist to keep up with them.

Just a few weeks ago the Atomic Energy Commission announced that four groups of electric-power producers are planning to build atomic power plants for the strictly commercial production of electricity. What this means is that the nation's newest industry—the atomic power industry—is moving out from under the wing of government control. From now on the country is going to watch with the greatest interest as competitive private managements test the comparative efficiency of rival methods of power production.

Ahead: The Atomic Home

We are now being told that before too many years have passed, the use of atomic energy to make steam to make electric current will be followed by the use of atomic batteries which will convert nuclear energy directly into electricity. Think of the new markets that will be opened up by this one development alone. Think of the revolution it will cause in the way we design and equip our homes and the way we build and operate our factories and offices.

In every other branch of science and technology, similar gains are being made. We are on the verge of harnessing solar energy. We are tapping the ocean floor for petroleum. Within the lifetime of some of us in this auditorium it is possible that the great deserts will be irrigated with water from the sea—made fresh by processes yet unknown.

The most significant of all the advances made in recent years are those made by medical science. The recent announcement about the Salk vaccine and its great victory in the fight against infantile paralysis thrilled all of us. Other equally important victories over other diseases are sure to follow.

Every achievement we make as a nation—whether in science, the arts, education or the general welfare—will depend in part upon the strength of the economy. And the better the performance of business the faster our advance is likely to be in those other fields.

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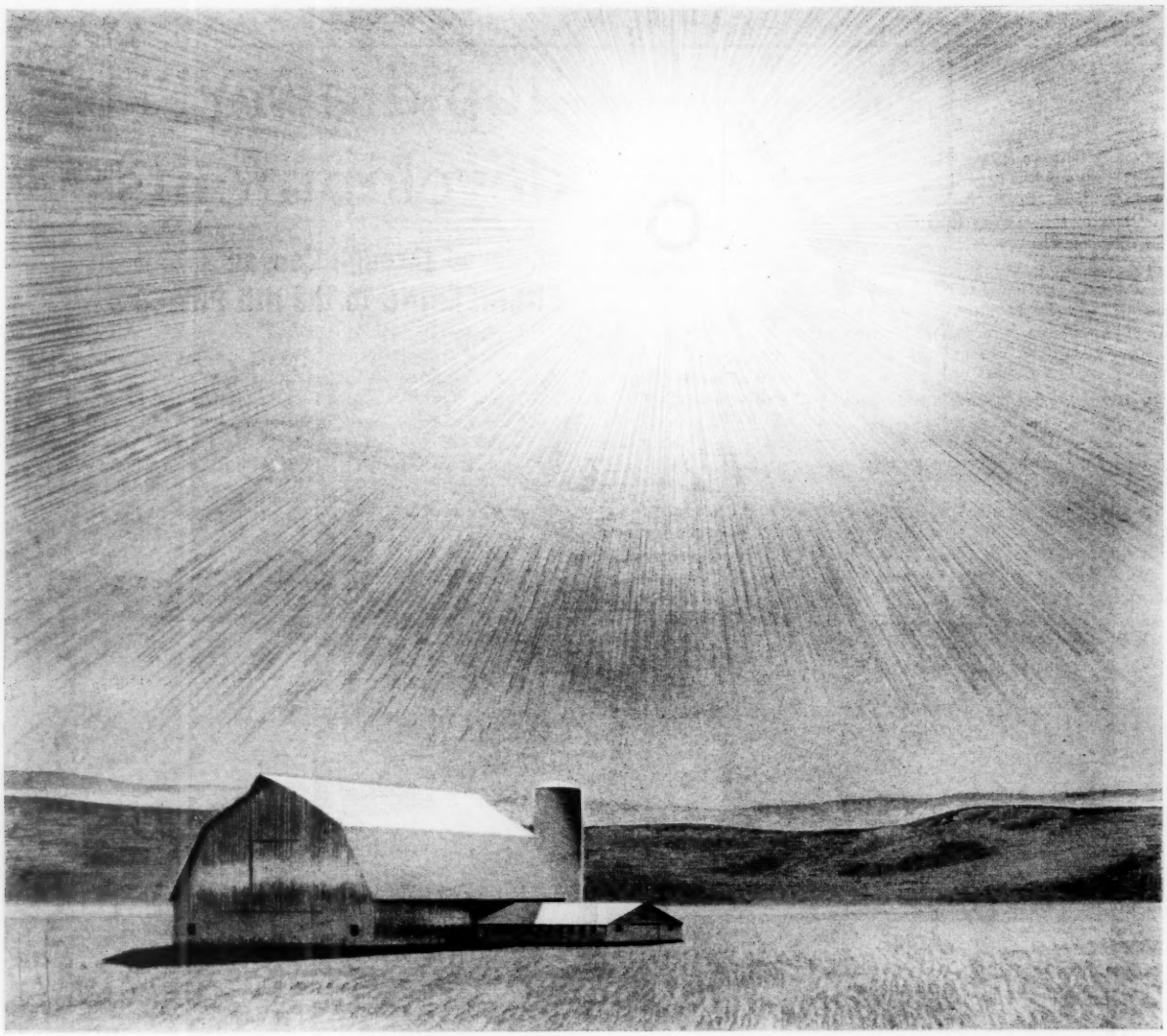
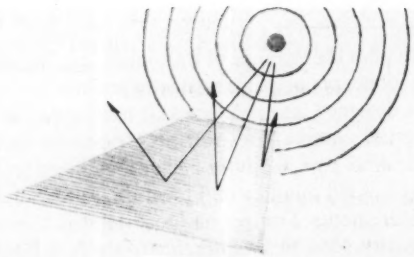
achieved through Convair's ENGINEERING to the Nth POWER

Around these *top-drawer* developments at Convair, the men who plan the defense of our nation are building entirely new concepts of military strategy. Only Convair has designed and produced all basic types of aircraft – fighter, interceptor, transport, bomber, and water-based. And now, Convair has attained leadership in producing guided missiles that meet the most exacting military requirements. For our national defense... for your security, look to *Engineering to the Nth Power.*

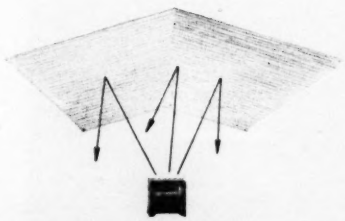
CONVAIR A DIVISION OF GENERAL DYNAMICS CORPORATION



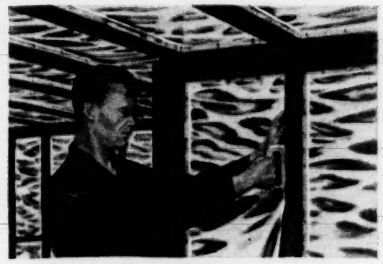
When it must reflect heat...



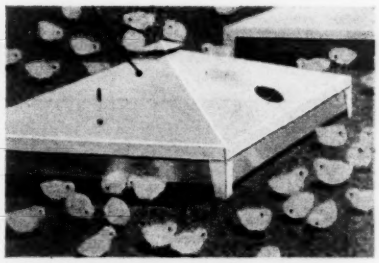
IN SUMMER, the high reflectivity of Kaiser Aluminum causes hot sun rays to "bounce off" . . . thus permanently keeps interiors as much as 15° cooler.



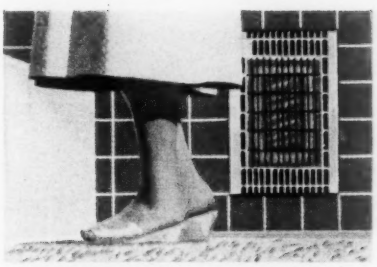
IN WINTER, the high reflectivity of Kaiser Aluminum helps to keep heat from escaping by reflecting it inwards . . . increases comfort, helps cut fuel bills.



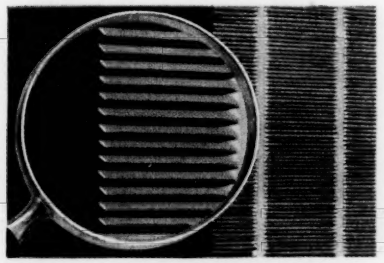
Foil the weather! Walls insulated with Kaiser Aluminum foil reflect heat back into rooms, and similarly keep it out during summer. Low in cost, easy to install.



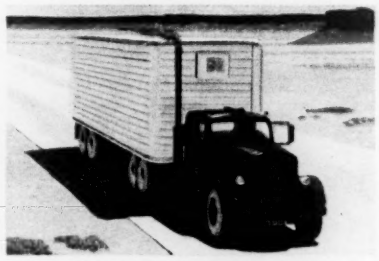
Slick for chicks! In chick brooders, Kaiser Aluminum's reflectivity protects chicks by providing balanced heat distribution. Light weight makes units easy to move.



Warm up—fast! Aluminum reflectors in modern heaters quickly reflect heat into rooms, distribute it evenly. You get more heat, more comfort—and lower fuel bills.



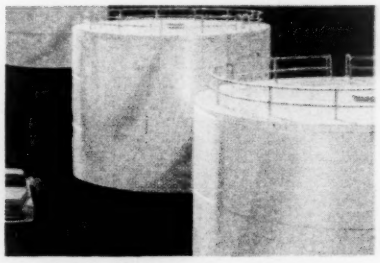
Keep rooms 15° cooler! Kaiser Aluminum Shade Screening has tiny louvers set at an angle, blocking sun rays. Reduces glare. Protects furnishings from sun fading.



It's cool inside! Kaiser Aluminum's reflectivity keeps truck interiors pleasantly cool. Assures greater driver comfort, greater protection for perishable cargoes.

Regulate your temperature! Shingle roofing made with reflective Kaiser Aluminum provides winter warmth, summer coolness. Never needs paint, can't rust or rot.

Calling all cooks! Used for broiler pans, Kaiser Aluminum reflects heat and spreads it evenly for faster cooking. Line broiler pan with Kaiser Foil to eliminate scouring.



Tops for oil—Reflectivity of Kaiser Aluminum makes it ideal for tops of oil storage tanks because it cuts heat evaporation. Resists corrosive brine, sulphide content.

Hold that heat! Vacuum jugs, made with Kaiser Aluminum, hold heat longer. And aluminum's strength and corrosion resistance makes them *last*.

think of *Kaiser Aluminum*

CLIMB up on a ladder some hot, sunny day and hold your hands over an aluminum roof.

You'll find that heat bounces off the aluminum the way a rubber ball bounces off a brick wall.

That's because aluminum *reflects heat* as almost no other metal does. And *look* at these other advantages of aluminum. It's light and strong. It resists rust and corrosion. It's workable and economical.

This *versatility* of aluminum is the big reason why it has taken the place of other materials in thousands of useful products—making these products better—and cheaper.

In recent years, more and more manufacturers have come to think of Kaiser Aluminum for an abundant source of supply and for dependable customer service.

Kaiser Aluminum has led the industry in bringing more aluminum to American manufacturers. In the past three years, we have more than doubled our production capacity and we now have the capacity to produce close to 30% of all the primary aluminum made in this country.

While increasing the supply, we have also increased the diversity of our mill products to provide manufacturers with aluminum in all its many forms.

We are continuing to expand. For we believe that aluminum is only on the threshold of its greatest growth. We are confident that the future opportunities for aluminum are almost as broad as the imagination.

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CHEMICAL PROGRESS WEEK • MAY 16-21

CHEMICAL PROGRESS WEEK-MAY 16-21

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FROM HONG KONG

PARTY-LINE LOVE

HONG KONG—Puritanism is becoming an enforced way of life in Communist China. Laughter, romance in the spring, even glamour in the movies are frowned on by the Communist leaders. Whatever interferes with the drive to build a socialist, industrialized nation is considered unpatriotic—or decadent.

In recent weeks the Communist press has been splurging the lurid details of a sex scandal involving a well-known party member, novelist Kung Chueh. In one featured article an 18-year-old girl recounted how Kung Chueh seduced her, then tired of the alliance and transferred his affections to another.

Kung Chueh got panicky when the Union of Chinese Writers heard of his conduct. He tried to talk the girl into taking full blame for his indiscretions. Instead, she wrote the Union: "In this great era, I must dedicate everything to the fatherland. I must bring the criminal behavior of Kung Chueh to light. I demand that he be given the most severe punishment."

The party newspapers really heaped criticism on Kung Chueh—and it's easy to spot the reason. As one editor wrote: "If the practice of delinquency by writers can be allowed, the practice of delinquency by the workers and peasants should also be permissible. Everybody can then be left alone, and no positive efforts for the socialist construction enterprise would be called for."

Week-end marriages. Love, romance and a happy family life are not barred by the Chinese Communists, but the importance of work outranks the home in their propaganda. The marriage law, which bans concubinage and multiple wives, is intended to release womanpower for farms and factories. In many cases, Communist husbands and wives are permitted to live together only on week ends so their marriage will not interfere with their work.

Here is what an official of the General Affairs Office of the Central Committee for the Movement for the Thorough Implementation of the Marriage Law has to say:

"In their selection of mates for marriage, youths have established the viewpoint of cherishing love for labor, love for progress. Many young men and women, especially when they have the opportunity to engage in production together, to engage in work and study together, have had their mutual love established in the course of production, work and study."

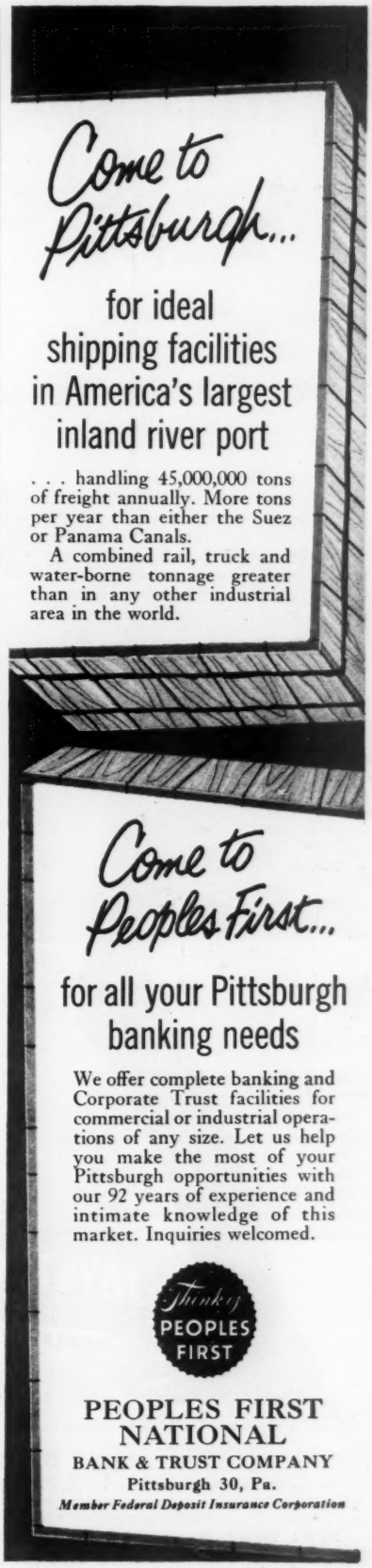
A classic example of how to meet and fall in love is the case of Chu Wench'ing and Li Yung-hua. They worked on the same team in the Peking Agricultural Machinery Factory. They were given awards for processing a certain number of screwdrivers eight days ahead of schedule. Shortly thereafter, says a Communist newspaper, as a result of "jointly carrying out labor work, they fell in love and were married."

Communist newspapers, books, films and plays concentrate on the glories of hard work and personal sacrifice. The romantic classics of old China either are disappearing or being "adapted" to the new trend. One of China's best-loved operas, "Liang Shan-po and Chu Ying-tai," is presented now as a "struggle against the feudal system."

State above parents. The Communists appear to be having difficulties resolving the attitudes of Chinese young people toward their parents. The official attitude is that "children are not the private property of their parents, but belong first of all to the state and to the people."

Recently the Communist press published commentaries about two members of the Youth League who, angered because their mother did not work, drove her to suicide. This, said the Communist press, was erroneous. Counterrevolutionary parents must be treated as enemies, but children should help parents who are

(Continued on page 110)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memo

. . . In Red Chinese movies, machines get the girl

unable to work, "otherwise the burden will fall on the state."

Judging by Communist movies shown in Hong Kong, puritanism acts as a dead weight on art. Romance is taboo; each film must carry a social message. The picture shown here most recently, "Women Locomotive Drivers," is a documentary on training young girls to be railroad engineers. There is no love interest, and the only conflict in the plot is between two girls competing to finish the course first. The winner, after 10 days of practice shoveling coal, ranks

—Eastfoto

WITH CHINESE WORKERS . . .
. . . "love for labor" comes first

first because she worked far into the night before her "final examination" in improving her coal-heaving technique.

The Communists say that "pornographic pictures propagating 'the American way of life' have been repudiated by Chinese movie audiences." Instead, the Chinese now get movies, such as "Women Locomotive Drivers," that underline the Government's themes: the importance of machines in modernizing China, the need for hard work to speed industrialization, appreciation of austerity and feminine equality.

Bad example at top. In their drive to impose a rigid moral code on the young, the Communists have been campaigning against the use of tobacco. This campaign is turning out to be half-hearted, however.

One reason may be that China's No. 1 Communist, Mao Tse-tung, is a chain smoker.

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MYSTERY IN THE ANNUAL WAGE

Auto Company Retains Same Advisers As Union

Demand for an annual wage for auto workers is bringing a new twist in labor relations. Economists who advised the union now are being consulted by an employer who makes autos.

It's a move that has Detroit puzzled. Is one manufacturer about to make concessions? Or, is it shrewd employer strategy?

This article tells about the economists and their views.

DETROIT

Out here in the automobile capital of the world, where the guaranteed annual wage is competing for attention with the spring surge of the Detroit Tigers, an intriguing mystery is developing. That mystery concerns an unexpected move by American Motors Corporation in the jockeying that is going on over the annual-wage issue.

American Motors—the company formed by merger of Hudson and Nash—announced last week that it was asking a group of economists for advice on whether a guaranteed annual wage would benefit the company. What puzzled Detroit about the announcement was that seven of the eight economists chosen had also served on a committee appointed by Walter Reuther, president of the CIO United Auto Workers, to advise the union on the annual wage.

That's where the element of mystery entered. Why, it was asked, did an auto company turn to the same people who had been consulted by Mr. Reuther, especially since some of the economists were known to be "New Dealish" in their ideas? Weren't some of these men already on record as favoring some sort of guaranteed employment?

Names of these economists were well known. On the list were Seymour E. Harris, Alvin H. Hansen, Arthur J. Altmeyer, Edwin E. Witte, William Haber and Richard A. Lester, all of whom had been associated in one capacity or other with the Roosevelt and Truman Administrations. There were also Sumner H. Slichter, of Harvard, regarded as more "conservative," and Vincent W. Bladen, of the University of Toronto. All but Mr. Slichter had served on the Reuther committee.

Mr. Lester

Mr. Altmeyer

Mr. Witte

Mr. Slichter

Mr. Hansen

Mr. Haber

SIX OF THE EIGHT economists who will advise American Motors Corporation on the annual-wage issue

A look at the record shows who these men are and what they have stood for in the past:

Seymour E. Harris. Professor of Economics at Harvard University; has been active in Massachusetts branch of Americans for Democratic Action, an organization that has many of the New Deal group among its members. During World War II, served in Washington as a high official of the Office of Price Administration and as member of the policy committee of the Board of Economic Warfare; adviser on postwar commercial policies to the Secretary of State and adviser at the War Production Board.

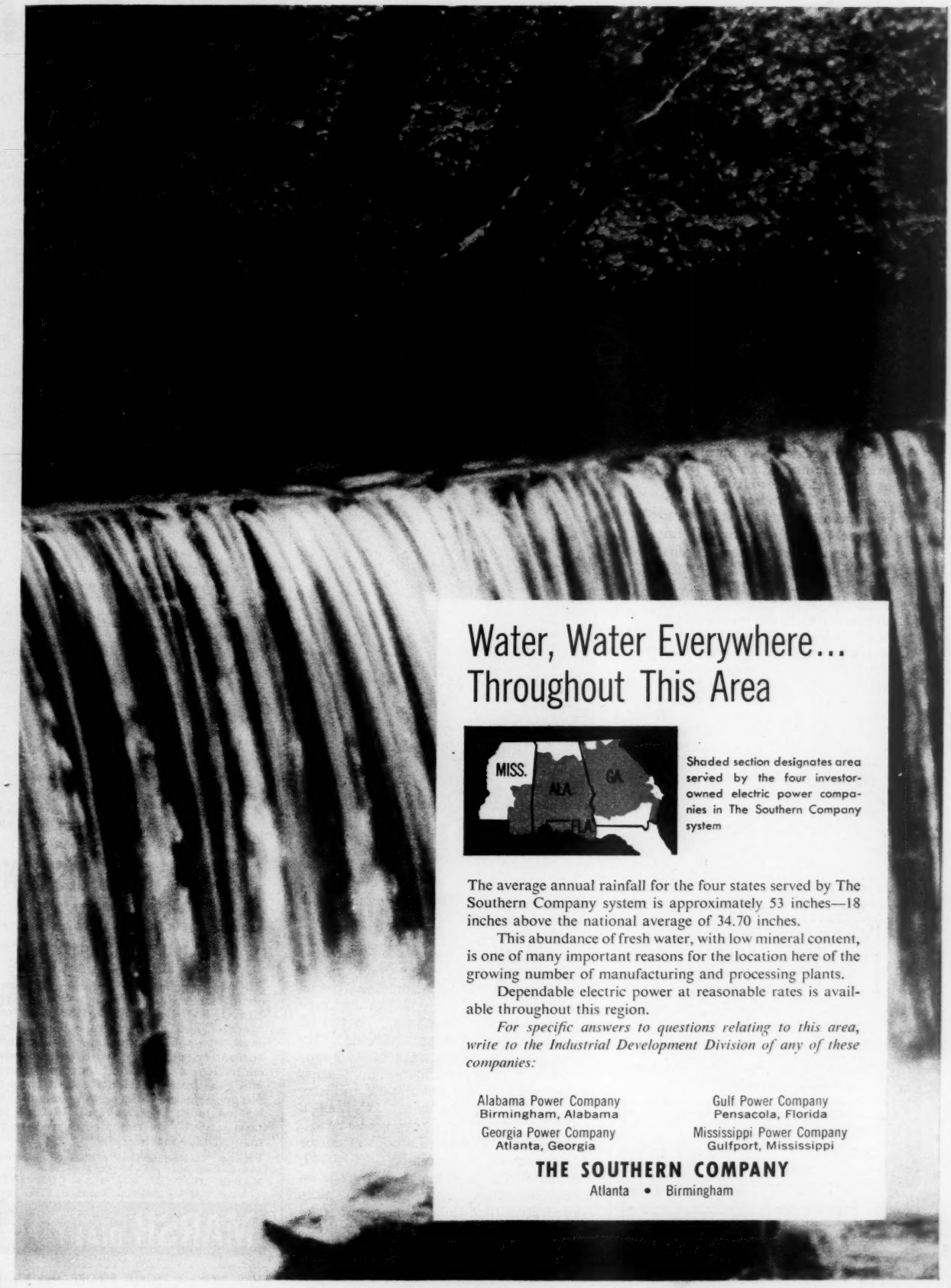
Alvin H. Hansen. Littauer Professor of Political Economy at Harvard; was one of the most active advisers of the early New Deal; helped to draft many of the emergency programs for the Roosevelt Administration; is known as an exponent of the deficit-spending theories of Lord Keynes. Mr. Hansen is on record as believing that some sort of annual wage "can play a significant role" in a full-employment program if the program includes other measures. Guaranteed-wage plans, he indicates, should put limits on the payments to be made by the employer; should be tied to State unemployment-insurance programs.

Arthur J. Altmeyer. Another of the early New Deal advisers, specializing in social-security measures; is known as the "father" of the Social Security system. Mr. Altmeyer helped to draft the original Act; was a member of the Social Security Board and later Commissioner of Social Security, until he resigned in 1953. He has been living in Madison, Wis., since retirement.

Edwin E. Witte. Professor of Economics at the University of Wisconsin since 1933; an early adviser on Social Security to the Roosevelt Administration; helped write the Act in 1935. Earlier, his report on injunctions in labor disputes was partly responsible for passage of the Norris-La Guardia Anti-Injunction Act of 1932. In World War II, he was chairman of the Detroit regional board of the War Labor Board, later was a public member of the National WLB.

William Haber. Professor of Economics at the University of Michigan; known as an advocate of cradle-to-the-grave social security. Served as consultant for

(Continued on page 114)



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. . . Two conflicting views on aids to jobless

the Social Security Board; was chief planner for the War Manpower Commission. From 1934 to 1936, was State relief commissioner for Michigan

Mr. Haber is on record as predicting that "private supplementation to the public system of [unemployment] insurance is quite likely to be developed in the relatively near future." He says, further: "A plan can be set up that will encourage firms to focus more attention on employment stabilization. Any plan which is likely to discourage employment should be resisted. These are the problems to be analyzed."

Richard A. Lester. Economics Professor at Princeton; held positions dur-

—Harris & Ewing

WALTER REUTHER

. . . looking for a compromise?

ing World War II at War Production Board, War Manpower Commission, War Labor Board; was consultant to the office of the Secretary of War.

In discussing the annual-wage idea, Mr. Lester is on record as preferring "a single public system of unemployment compensation"; says any program to supplement the public program "is full of administrative and other headaches." He expects "some limited steps toward supplementary unemployment compensation to be taken in the automobile industry this year, but probably not without a strike."

Sumner H. Slichter. Lamont Professor of Economics at Harvard since 1940; well known as a writer and speaker on economic subjects; considered to be more conservative than some other members of the American Motors advisory committee.

(Continued on page 115)

Money Talks ...AND TALKS BACK, TOO!

When budgets are figured close, the pipe that "talks" less money *initially* is usually heard above the pipe that quietly says, "durability." Unfortunately, the pipe with the low-first-cost talk has a habit of talking back, too. You know this story too well if you've watched a pipe repair job where low-first-cost pipe has failed prematurely. The initial "savings" can be wiped out many times in labor costs.

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. . . "Ill-conceived," says critic of union's wage plan

He was not on the Auto Union's advisory committee.

On the subject of a guaranteed annual wage, Mr. Slichter is on record as favoring larger unemployment payments under the insurance systems of the various States. He has said that the Auto Union plan is "ill-conceived," that it is "little more than a makeshift that fails to reach the problem of liberalizing and reforming unemployment compensation." However, Mr. Slichter estimates that the cost of an annual-wage plan such as proposed by the union would be surprisingly low for many companies; would not justify General Motors or Ford "incurring the heavy losses that would have to

—American Motors Corporation

GEORGE ROMNEY
. . . surprised the industry

be met in order to defeat the union's demand—unless the union can be persuaded that a different course of action is preferable."

Vincent W. Bladen. Professor of Economics and Director of the Institute of Business Administration of the University of Toronto; served as a member of the Auto Union committee.

Those are the men who have agreed to contribute their advice to American Motors. The company announced that it also had invited two other economists who were members of the union committee, but they were out of the country. They are Eveline M. Burns, of Columbia University, and Charles E. Myers, of Massachusetts Institute of Technology.

A third member of the Auto Union group who will not serve on the new

(Continued on page 116)

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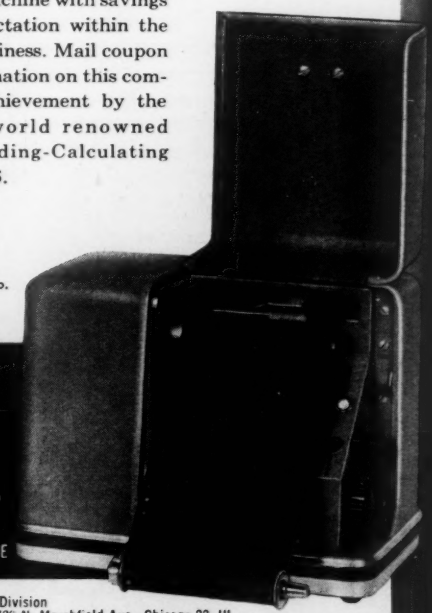

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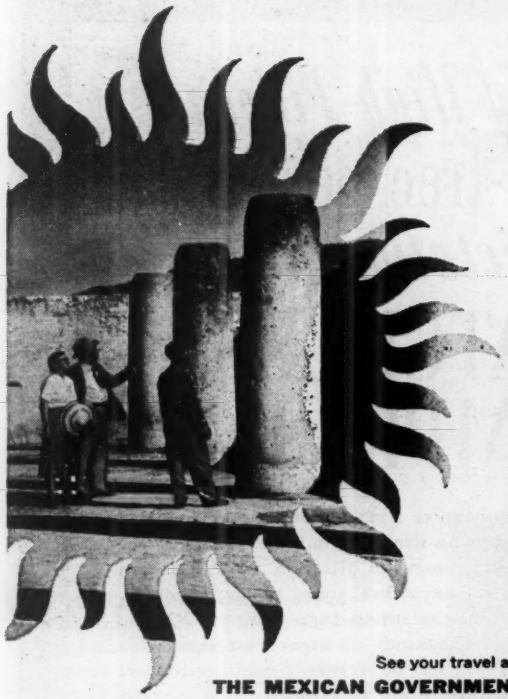

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Firm asks: Will annual wage increase jobs? . . .

committee is Edward L. Cushman, who now is industrial-relations director for American Motors. Mr. Cushman formerly was professor of public administration at Wayne University, in Detroit, and in that capacity had been named to the union's committee.

It was noted in the auto industry that Mr. Cushman, because of this association, was in a good position to know how most of his advisory committee feels about the annual wage.

Mr. Cushman, in announcing the appointment of the American Motors committee, explained that "seeking the advice of these economists is one phase of our objective study of the UAW's

—Shoemaker in the Chicago News

"BE CAREFUL, BOYS!"
No strike is expected

guaranteed annual-wage proposal to determine whether it would contribute to increased employment stabilization at American Motors."

Six meetings; no report. When the union's advisory committee met with the union on six occasions in 1953 and 1954, members said, there was a general discussion of various proposals brought forward by the union. However, no formal report ever was prepared, and apparently none was requested of the committee.

Some criticism has been voiced of the way the union has referred to the advisory committee in its publicity and speeches. Some employers have complained that the UAW has given the impression that the committee endorsed its annual-wage plan. The union, on the other hand, denies that it has given this impression. It points to published re-

. . . Behind pay-plan study: an auto-industry veteran

ports that the committee "was not asked to develop the UAW's guaranteed-wage program."

Back of the American Motors move, Detroit auto executives thought they saw the hand of George Romney, president of the company. As managing director of the Automobile Manufacturers Association for many years, Mr. Romney became widely known in industry. Since becoming president of American Motors last year, he has been building a "young team" of officials.

When other officials of the auto industry recovered from their surprise at the American Motors announcement, they sought to analyze possible effects on the growing battle over the annual wage.

It was generally agreed that the American Motors move would not influence the negotiations at General Motors or Ford. Whatever the Auto Workers can get from one of these two companies, Detroiters believe, will become the general pattern for the industry. A few believe that the smaller companies, like American Motors, will not necessarily have to take the GM or Ford model, but may be able to get some modifications.

More time to talk. It is noted that the Auto Union recently agreed to extend the American Motors contract to August 12, which gives time for a settlement of some sort to be worked out with the other firms. By the time American Motors goes to the bargaining table on the annual wage, the union hopes to have an agreement with Ford or GM.

The auto industry, at the moment, is optimistic over chances of avoiding a strike at Ford and General Motors. Negotiations may be long drawn out, but there is a feeling that General Motors or Ford will make a compromise offer that will interest union members.

The thinking is that any offer that promised a gain of some sort for the union membership would be hard for Mr. Reuther to resist. It would be difficult for him, the reasoning goes, to take his members out on a long strike over the annual-wage proposal. The company might offer a tempting wage increase, or some other concession that did not include the wage guarantee.

The auto industry sees no possibility of Ford or GM giving UAW the kind of plan it proposes, especially now that UAW's cost figures have been made public. The companies are expected to reject the idea that each should accumulate reserve funds equal to 20 per cent of base payrolls, which might run into a total of a half-billion dollars for the two companies alone.

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You can see the trend quite clearly in the volume of orders now placed with manufacturers. With orders pouring in, factories are to be kept busy for some months to come. And that means rising employment, rising incomes.

New orders booked by factories in March reached 27.7 billion dollars, allowing for seasonal influences. That figure has been topped only once--in January, 1951--at the peak of the Korean war-buying wave.

Gains in orders, furthermore, are being registered in all lines.

Manufacturers of soft goods--shoes, clothing, chemicals, food--had a record volume of orders in March, totaling 13.7 billions.

Makers of hard goods--steel, autos, furniture--received 14 billion dollars' worth of orders. That figure was exceeded only during the Korean war.

Altogether, factory orders are up about 21 per cent over a year ago. That's a measure of the business recovery that has taken hold. And it is a sure sign that factories are going to keep right on humming.

Orders are being received faster than goods are being produced. That is another sign that the nation's factories are going to be kept busy.

Unfilled orders stood at 49.5 billions at the end of March.

Order backlog is held largely by producers of hard goods, which generally take a longer time to produce than soft goods.

Gains in the backlog are most notable in steel and other primary-metals industries and among manufacturers of machinery.

Producers of hard goods now have enough orders on the books to keep them busy for more than three months, at the current rate of shipments. And the backlog is still growing. It has been growing since the first of the year.

Shipments from factories have never been higher.

Total shipments in March, seasonally adjusted, reached 26.4 billions.

Soft-goods industries, with deliveries of 13.3 billions, were a record.

Hard-goods industries, with shipments at 13.1 billions, were not quite up to the peaks reached in April and July, 1953. But they were 23 per cent above the low point of last October.

These measures of factory activity show definitely that business has pulled out of last year's recession and is headed for new highs.

Another sign of strength is shown in official figures on inventories.

Factory inventories, seasonally adjusted, showed no change in March.

(over)

Written for the issue of May 13, 1955, Volume XXXVIII—No. 19
U. S. NEWS & WORLD REPORT

Inventory decline, which started in mid-1953 and was a major cause of the setback, has stopped. But an inventory build-up, which could be a sign of some excess, is not evident at the factory level.

Construction contracts give further assurance of high future activity.

Contract awards for States east of the Rocky Mountains, reported by the F. W. Dodge Corporation, were 37 per cent ahead of a year ago in April.

Building contracts for the year so far are up by 35 per cent.

Contracts for heavy construction, reported by "Engineering News-Record," show the same trend. They are running 42 per cent higher than a year ago and top the previous high in 1953 by 13 per cent.

The building boom is certain to keep going for some months ahead.

Increases in building contracts and in factory orders provide assurance that business activity will not be slowed appreciably even if the booming auto industry slackens later this year, as expected. Slowdown in auto output, of course, would be reflected in a cut in total factory orders.

People's incomes are in a sharp rise, reflecting both a result and a cause of the present strength in business activity.

Business improvement has brought larger payrolls, higher wage payments.

Higher individual incomes, in turn, are adding to purchasing power and consumer demand for goods. That accounts for rising retail sales.

Total personal-income payments have shown steady gains since January. Gain in the annual rate from January to February was 1 billion; from February to March, 1.8 billion. A further gain took place in April.

Almost all of the income gains this year are going to workers.

Wage and salary payments in March amounted to 201.5 billion dollars a year, topping the 200-billion mark for the first time in history.

Payrolls now are running 7 billions a year above 1954. And they are going higher. Wage increases are almost sure to be made as the year goes on.

Latest gains in wages and salaries stemmed from increased employment.

Earlier gains this year resulted from longer work weeks.

The fact that people are working more hours a week and that more of them are being hired is still another sign that the boom's benefits are widespread.

A singular feature of the business upsurge is that it is taking hold with almost no sign at all of inflation.

Prices have been remarkably stable all through the rise in activity.

Living costs haven't varied more than a point or so in three years.

Full-employment level is not yet reached, despite record output.

The supply of raw materials, plus slack in the labor force, is an indication that activity can be expanded still further without undue strain. The present boom seems to be much more solidly based than the boom that came to an end in mid-1953, which was stimulated by heavy Government spending.

Business conditions, in fact, now appear to be so favorable that they seem too good to be true. That was the sentiment expressed by members of the Commerce Department's Business Advisory Council in Hot Springs, Va.

1955

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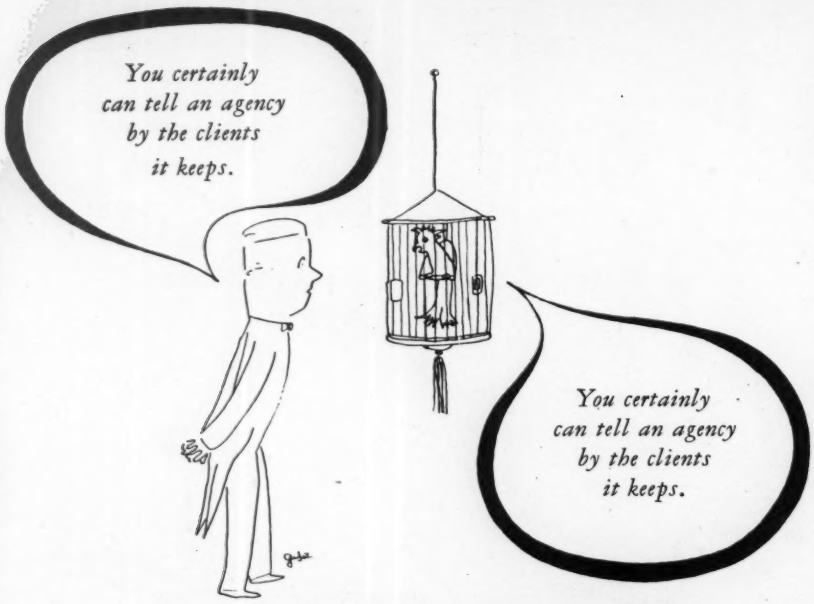

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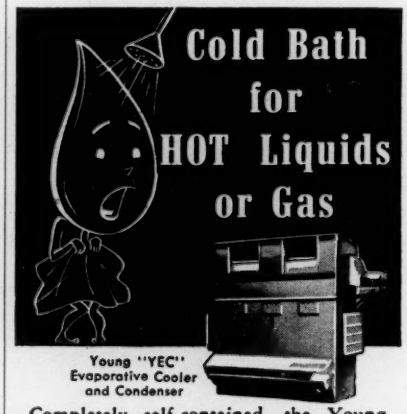

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NEWS-LINES

WHAT YOU AS A BUSINESSMAN ☑ CAN and ☒ CANNOT DO

as a result of recent court and administrative decisions

☑ **YOU CAN** take an ***income tax deduction,*** as a business expense, for your loss from the sale of Government bonds that you acquired solely for deposit to guarantee completion of a contract. This tax treatment by a contractor is approved by a court of appeals.

* * *

☑ **YOU CAN** withdraw a proposed ***union contract*** after your employes vote to strike, without violating the Taft-Hartley Act. The National Labor Relations Board holds that an employer was within his rights when he canceled previous bargaining concessions following a strike call.

* * *

☑ **YOU CAN,** after receiving telephone notice that you have won a Government ***defense contract*** as low bidder, withdraw the bid. In a case where a contractor wished to take back his bid to the Defense Department because of an error in pricing, the Comptroller General rules that telephone notification did not make a contract effective.

* * *

☑ **YOU CAN** apply to the Commerce Department between June 1 and 15 for a license to export ***selenium*** and selenium chemicals during the third quarter of this year. This application period is established by the Department's Bureau of Foreign Commerce.

* * *

☑ **YOU CAN,** as a farmer, take longer than previously expected to pay off a Commodity Credit Corporation loan on your 1953 crop of ***corn*** stored on your farm. The Department of Agriculture decides to extend loans on such corn now under "reseal" for 12 months after July 31. The extension is aimed at easing the Government's storage burden by keeping the corn on farms.

* * *

☑ **YOU CAN,** in figuring an ***estate tax,*** deduct as executor's commission only the amount that a local court determines is fair and reasonable. A federal court of appeals lays down this rule in a case where the sole beneficiary of an estate paid a larger amount to the executor as compensation.

☒ **YOU CANNOT,** as a retail druggist in a State that has a ***"fair trade" law,*** fail to comply with price maintenance on prescription sales subject to the law. A court of appeals finds that such sales are subject to price maintenance even though the purchaser is unaware of the drug's trade name, so long as the prescribing doctor uses the name.

* * *

☒ **YOU CANNOT** safely tell the ***collective-bargaining*** union in your plant that you will resume negotiations during a strike only on condition that charges of unfair labor practice against you are withdrawn. The Labor Board holds that an employer violated the Taft-Hartley law by placing such a condition on his resumption of bargaining.

* * *

☒ **YOU CANNOT** legally tell your employes that they will not be laid off unless they are union members. Such a statement violates the ***Taft-Hartley Act,*** the NLRB rules in a case in which the employer actually said "unless you are one of those union dogs."

* * *

☒ **YOU CANNOT,** in figuring the income tax of an ***export corporation,*** avoid including in the company's income the amount that it receives from a transaction conducted through one of its officers to satisfy foreign import regulations. The Internal Revenue Service makes this ruling.

* * *

☒ **YOU CANNOT** keep your State tax collector from inspecting your federal ***income tax return*** if your State has a law calling for the filing of a copy of the federal return along with your State return. The Internal Revenue Service says that, while federal tax laws do not require a taxpayer to allow such a check by State officials, the federal laws do not protect the taxpayer from this inspection.

* * *

☒ **YOU CANNOT** get a license to ship abroad ***nickel-bearing scrap*** unless you submit to the Commerce Department evidence that this metal cannot be sold in the domestic market. In this new restriction, the Bureau of Foreign Commerce in effect limits export licensing for nickel scrap to those types that are generally unsalable in the U. S.

Conclusions expressed in these paragraphs are based upon decisions and rulings of courts and Government bureaus. In making their decisions, courts and bureaus consider many facts which, for reasons of space, cannot be set forth in detail. U. S. NEWS & WORLD REPORT, *on written request, will refer interested readers to sources of this basic material.*

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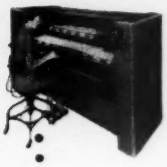

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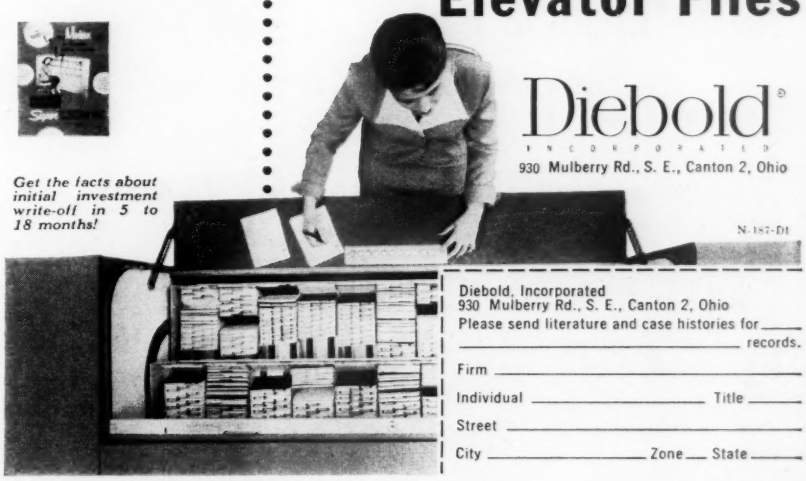

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IKE STILL HAS BUDGET TROUBLES

More Money Coming In—but More Going Out, Too

Room in Budget for Tax Cuts—What April 15 Collections Show

A smaller deficit in the "*regular*" budget:

		Outlook as Ike saw it in January	Outlook NOW
THIS YEAR Ending June 30, 1955	INCOME	$59.0 billion	$60.5 billion
	OUTGO	$63.5 billion	$63.5 billion
	DEFICIT	$ 4.5 billion	$ 3.0 billion
NEXT YEAR Ending June 30, 1956	INCOME	$60.0 billion	$61.2 billion
	OUTGO	$62.4 billion	$62.4 billion
	DEFICIT	$ 2.4 billion	$ 1.2 billion

A bigger surplus in the "*cash*" budget:

		Outlook as Ike saw it in January	Outlook NOW
THIS YEAR Ending June 30, 1955	INCOME	$66.7 billion	$67.5 billion
	OUTGO	$69.1 billion	$69.0 billion
	DEFICIT	$ 2.4 billion	$ 1.5 billion
NEXT YEAR Ending June 30, 1956	INCOME	$68.8 billion	$70.0 billion
	OUTGO	$68.2 billion	$68.2 billion
	SURPLUS	$ .6 billion	$ 1.8 billion

Note: Unlike the "regular" budget, the "cash" budget reflects surplus revenues paid into Social Security and other trust funds.

Source: Official Budget and estimates by USN&WR Economic Unit

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Just when real progress is showing up in one area of the U. S. budget, new troubles threaten in another.

Tax relief—all but promised for the election year of 1956—is not seriously endangered.

Mr. Eisenhower, though, may find it necessary to issue even more drastic economy orders if he is to wind up his term with a balanced budget.

Shifts in U. S. Government spending, present and threatened, are causing new storm signals to be raised over the Budget Bureau. There's danger that a fresh outpouring of Treasury cash can ruin Mr. Eisenhower's ambitious budget plans.

The news comes just as budget officials are getting the word of cheering developments on the income side of the troublesome federal budget. Revenues, the huge April 15 tax collections reveal, are to be substantially greater than the President anticipated in January.

Taken by itself, the good news about income would seem to clinch Mr. Eisenhower's plan to dispense important tax relief next year. But farm price supports are proving more expensive than expected. And signs of new and bigger spending programs are popping out all over the Democratic-controlled Congress.

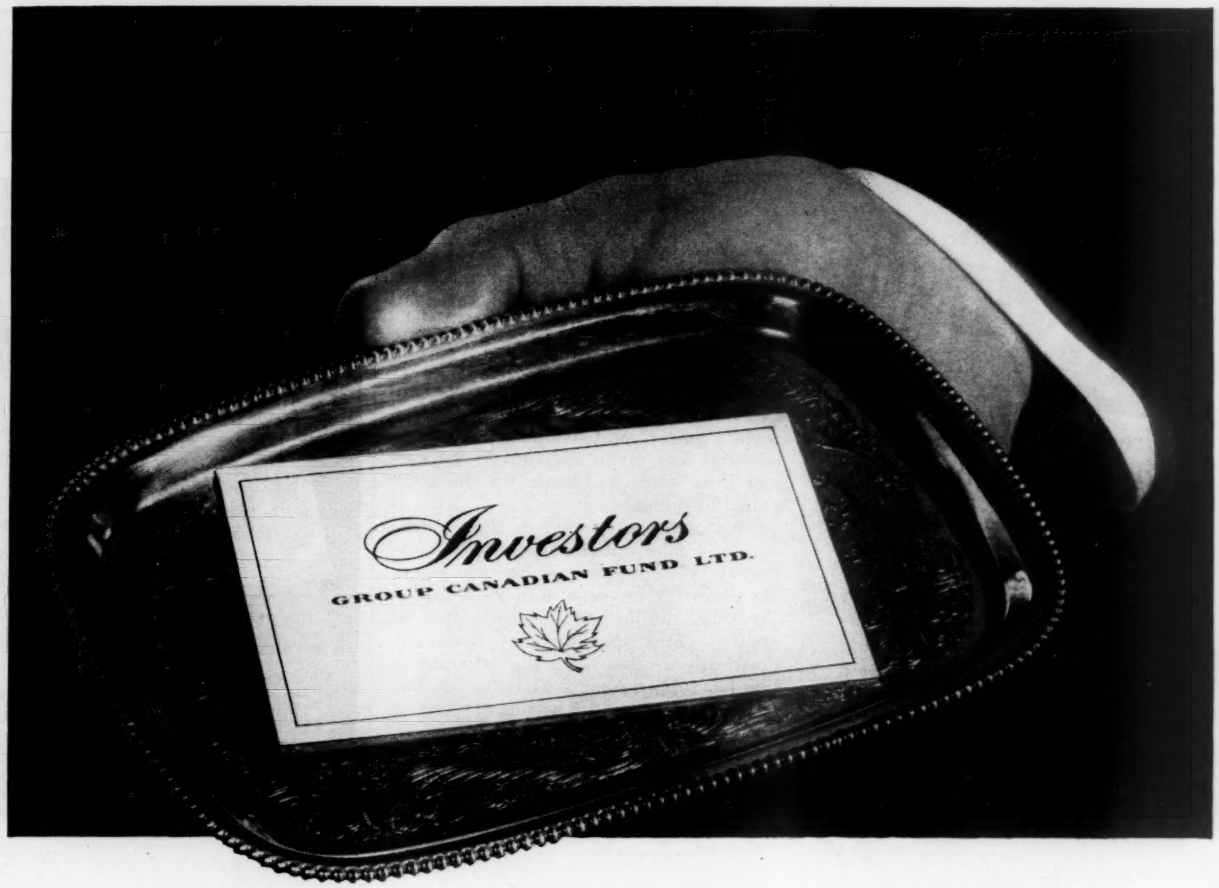
Result: The Eisenhower team soon may be told that it will have to devise new economies if the Administration is to present the voters in 1956 with an election-year gift of tax cuts wrapped in a balanced budget.

To appreciate what this can mean to Mr. Eisenhower—and your pocketbook—you need to understand what the Administration has been attempting.

Ike's goal. From the first, the compelling motive behind Mr. Eisenhower's policies has been a desire to overthrow a 24-year tradition in federal finance. Since 1931, Government spending, with but minor interruptions, has climbed up and up. Taxes have climbed higher, too. In the entire period the budget has been balanced in only three years.

The President is committed, first, to

(Continued on page 126)



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Finance Week

. . . April tax returns higher than expected

a halt in deficits. Consistent deficit spending, he is convinced, has been largely responsible for steady price inflation that has worn away the value of people's savings. Mr. Eisenhower is sold on a stable, but growing, economy—one in which buying power of people's dollars will not drop.

The President wants, second, to leave people with more dollars after taxes than they now have. He has held out the promise of a time when Government will take less and less of an individual's income and leave more and more for the individual to spend.

This goal has seemed in sight. With one brief interruption, expansion in production, jobs and incomes has been pouring more tax revenues into the Federal Treasury, despite big tax cuts already granted. And spending has been cut drastically. In two years, the Administration has lopped almost 11 billion dollars off the budget, and it planned a cut of another billion for the year ahead.

Accordingly, Mr. Eisenhower has been nearing a grand climax for his term in office—generous tax cuts for all and a budget that is, or is about to be, neatly balanced.

Now, there are gnawing doubts. The budget picture, most of it, remains bright, but small clouds have appeared.

Look, first, at the bright areas. They are shown in the chart on page 124.

On the income side. Revenues clearly are exceeding official hopes—though not with the margin that appeared a month ago, when corporations had paid their spring tax bills but individuals had not.

For the year ending June 30, Government is to take in about 60.5 billion dollars, or 1.5 billion more than Mr. Eisenhower foresaw in January.

Next year, the one ending June 30, 1956, Government probably will collect about 61.2 billion dollars, or 1.2 billion more than the President expected.

Differences in those figures are due to the fact that, in January, Mr. Eisenhower could not know how sharply business recovery would boost revenue.

These rising revenues mean an even more rapidly shrinking deficit than the President predicted—if spending can be held to the official estimates. The chart shows the results on the assumption that spending will be as planned.

The budget deficit this year, ending June 30, will be 3 billion dollars—instead of the 4.5 billion projected in January. And next year it will be 1.2 billion, instead of the 2.4 billion estimated by the President.

(Continued on page 127)

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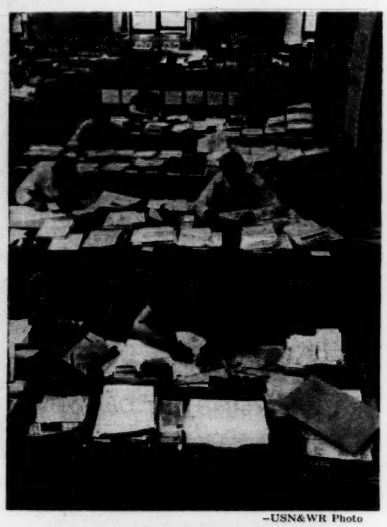
. . . Surplus of 2 billions in 1956 "cash" budget?

Even more important for tax planning is the new look in the "cash" budget, which—unlike the "regular" budget—includes surplus revenues going into the Social Security reserve and other trust funds.

The President, in January, foresaw a small surplus—about 600 millions—in the cash budget for the year ending June 30, 1956. Now it appears that, if spending can be held to schedule, cash surplus will amount to 1.8 billion dollars.

This figure is important to Mr. Eisenhower's fiscal advisers. More and more they have been emphasizing the cash budget as the best guide to taxing and spending policies. And more and more



–USN&WR Photo

TAX RETURNS RUN HIGH
. . . but so may congressional spending

they have been insisting that tax cuts can be granted just ahead of a balanced budget.

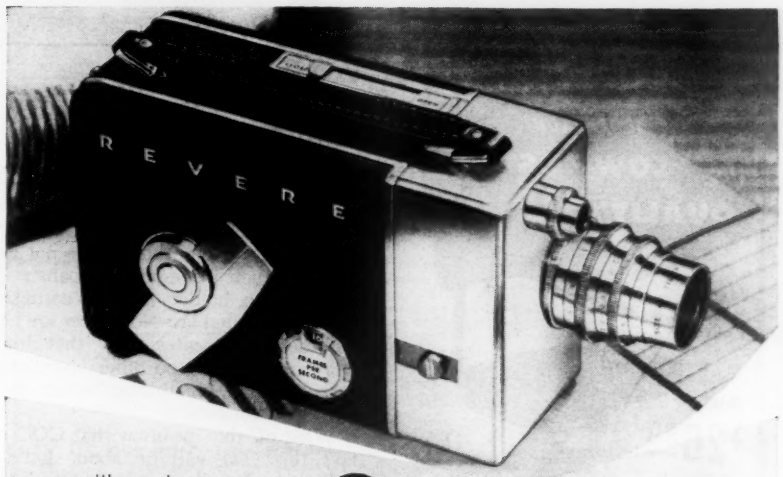
If the President, in his budget message next January, could show a cash surplus of nearly 2 billions for the year ending June 30, 1956, and further spending cuts for the following year, then immediate tax cuts of more than 2 billions would be in order.

This, essentially, has been the hope raised by the cheering April 15 tax collections.

On the outgo side. It's in spending that trouble is appearing—or, at least, threatening.

For this year, ending June 30, most spending programs are running about on schedule. One agency, the Commodity Credit Corporation, is clouding

(Continued on page 128)



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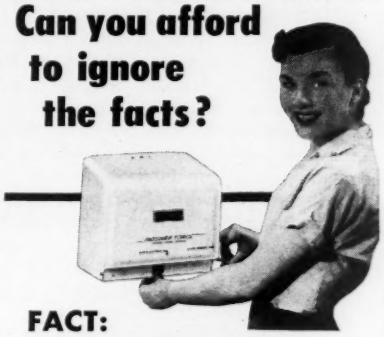

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Finance Week

. . . Big increase in farm-support costs

up the budget picture. Farm price supports are proving more expensive than planned.

Farmers, for one thing, have not been repaying their price-support loans as expected. Also, holders of CCC certificates of interest issued last November are cashing these certificates, now that higher rates are available on other investments. It had been assumed those would not be redeemed so soon.

What all this means is that CCC outlays this year will be about 1 billion dollars higher than anticipated, unless CCC issues new certificates at higher interest rates. Even if new certificates are issued before June 30, at higher interest rates, the excess outlays may come to half a billion dollars.

In defense spending, outlays for the military and foreign-military-aid programs are exceeding plans, but expenditures on atomic energy are running behind.

And nondefense programs, other than price supports, are costing no more than expected.

Next year, the one ending June 30, 1956, spending prospects are not quite so clear—and getting less clear.

In defense, there is official hope of important savings—in addition to those laid out in the January budget—if world tension eases in the meantime.

Interest on the national debt, though, may be higher than scheduled. Government, pushing up interest rates in order to discourage overborrowing by the public, is pushing up its own cost of financing the national debt.

A postal deficit is estimated for next year at only 24 million dollars, but on the assumption that Congress will approve a postal-pay raise of only 130 million dollars and a rise of 400 million dollars in the mail rates. Congress may grant still bigger pay raises—and no increase in postal rates.

At the same time, Congress is threatening to grant other federal civilian workers a pay raise larger than the one allowed for in the budget.

These, however, look like rather small matters to budget officials when they start thinking about what Congress may do in the matter of new programs for school and highway construction.

The President—with the aid of his study commissions—has come up with school and road programs carefully designed to permit big spending with little effect on the budget. Some Congressmen, though, have been convinced that the proposals offered are mere book-

(Continued on page 129)

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. . . Can Ike find new ways to cut outgo?

keeping devices—designed to fool the people and thwart Congress.

Whatever new programs Congress approves for outlays on schools and roads will affect the budget directly—and not to the liking of the President.

What it means. These clouds arising on the face of the budget do not mean that hope is lost, or even significantly diminished, for the tax cuts that have appeared certain next year. The Administration has no intention of giving up its grand plan so easily.

What is indicated, though, is that members of the Eisenhower team may have to scurry about to find even more drastic spending reductions than have been expected from them heretofore. They certainly will if the worst happens in many of the spending boosts now threatened.

Success of the Administration in trimming outlays so far is giving officials confidence that they can do even better if the necessity arises. A presidential-election year is counted on to supply the impetus.

›Tax-relief repealer. Secretary of the Treasury George M. Humphrey's requested repeal of two important tax-relief items of 1954 is up for decision in the Senate Finance Committee. The Committee called for arguments, pro and con, in hearings May 11 and 12. Those items—Sections 452 and 462 of the Internal Revenue Code—permit businessmen to postpone payment of taxes on some of their advance, or prepaid, income, and to deduct some expenses anticipated in the future. Hundreds, perhaps thousands, of companies have figured up their 1954 incomes and paid taxes on the basis of these new rules.

›Tighter rein on returns. Members of Congress are going to find it less easy to get a look at people's tax returns. President Eisenhower has just tightened rules under which congressional committees can examine these documents.

›Warnings to investors. An official warning given to dealers in securities may be taken as a warning to investors, too. Chairman Ralph H. Demmler of the Securities and Exchange Commission has told securities dealers that they had better do a more effective job of policing their advertising or Government might have to do it for them.

Another tip to investors: Beware of investment tips. The New York Stock Exchange is informing its members that tipstering poses a serious problem. They are urged "to stamp out what is essentially an evil practice."

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May 5, 1955

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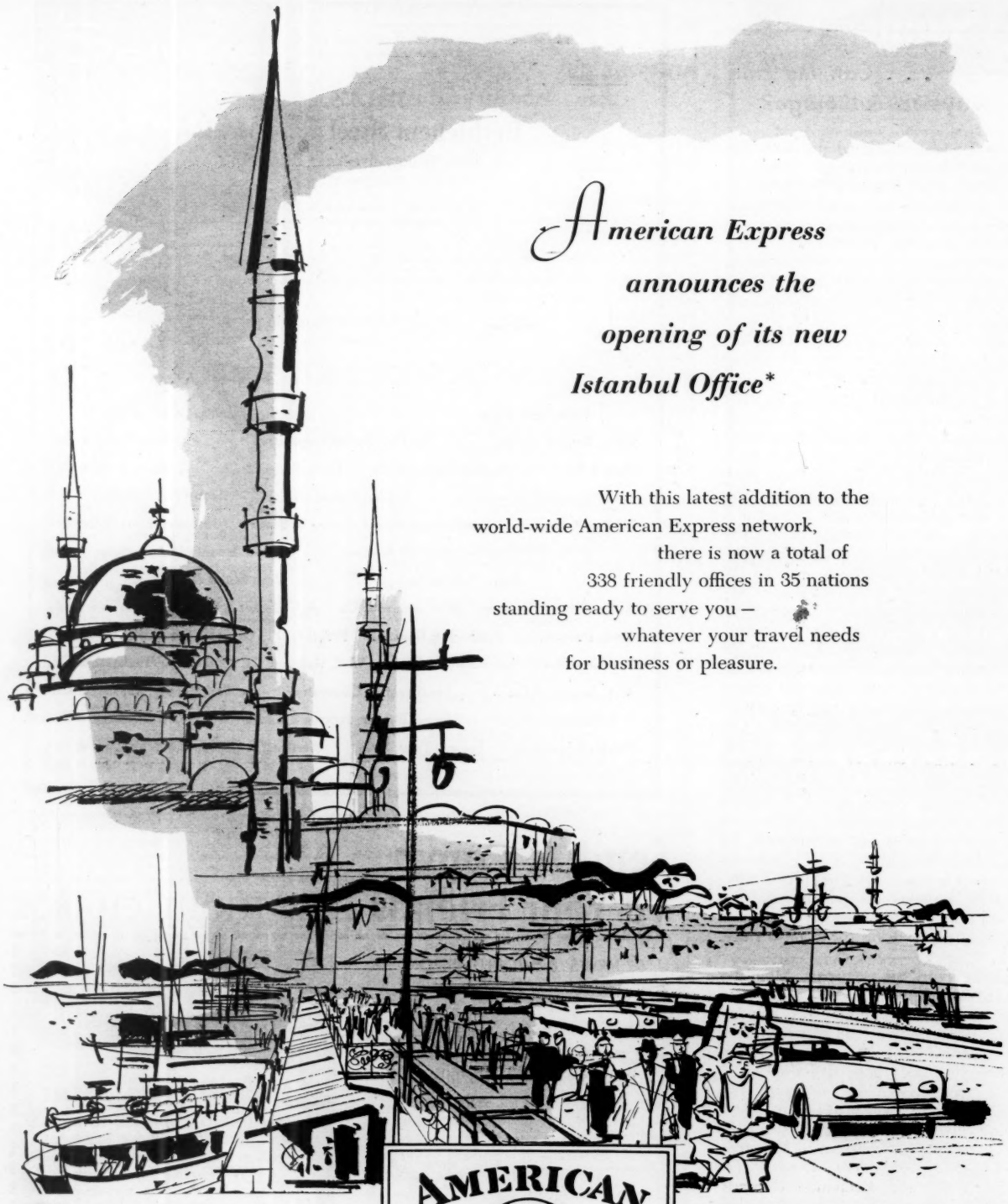

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Business Around the World

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›› The European boom has not penetrated the Iron Curtain. That gets clearer every day. Food shortages cause trouble both in Russia and her satellites. Agricultural programs backfire. Coal and power production lag. Russian drive to build up trade with the West sputters and fizzles.

Contrast this picture of failure and discontent with the blooming prosperity in Western Europe where both production and purchasing power have never been higher and living standards are definitely on the upgrade.

Soviet worker hasn't much to brag about. According to the U.S. Information Agency, he's worse off, a good deal worse off, now than in 1928 before the start of the first five-year plan designed to solve Russian problems.

To buy a week's supply of groceries for a family of four, an average Russian now has to work 37.8 hours, as against only 26.4 hours in 1928.

For seven staples--bread, potatoes, beef, butter, eggs, milk and sugar--Ivan has to work 43 per cent longer now than in 1928. And he can't be at all sure that he can buy these groceries in the state stores.

›› Sugar, for example, is short in Russia. Moscow recently has had to buy heavily in the world sugar market--mostly from Cuba. Usually Russia exports some beet sugar. Poor crops last season added to Russian troubles.

Russians give other evidences of strain. For instance, they are lagging seriously on payments against orders placed in Sweden. The French have found certain payments on the Russian side very slow, too. Some Russian orders placed in Britain have been canceled in recent months.

Russian gold, silver and platinum have been sold in relatively small amounts in London recently. Nothing like the heavy sales of Russian gold in Western Europe in 1953-54. In London there are experts who will tell you that Russia has an acute payments problem and that almost her total gold production now is being spent for trade and propaganda purposes.

›› Trade figures don't show any enormous outburst of buying by Russia and her European satellites since export controls of the U.S. and allied countries were loosened up last August. Level of East-West trade seems to have changed little. Apparently it isn't just export controls that limit this trade.

U.S. exports to the European Soviet bloc last year came to 6 million dollars, compared with 1.8 million in 1953 and 1 million in 1952. Most of the 1954 increase occurred in the fourth quarter but was largely due to relief grain shipped to Hungary, Czechoslovakia and East Germany for Danube flood victims.

Revision on Aug. 26, 1954, of U.S. export-control policy has had little effect on trade with the Soviet bloc. During the fourth quarter, only eight

(over)

export applications, with a value of $3,472, were approved for shipment to Soviet Europe that would not have been approved under previous regulations.

Ragtag empire of the Soviets apparently can't afford much of what the U.S. has to offer and hasn't much to sell that Americans can't get elsewhere.

>> Traders abroad are keeping their fingers crossed on the reciprocal trade bill, passed last week by the U.S. Senate. They don't question that the bill--having White House blessing--will become law virtually in its present form.

What worries these foreigners, judging from their early reactions, is that, under the bill, so much pressure can be focused on Mr. Eisenhower.

U.S. protectionists, gleeful about the bill, feel they can put unprecedented pressure directly on the President to keep down or keep out imports.

U.S. advocates of freer trade feel that, operating on an inside track through the State Department, they can influence the President's decisions.

The President says he believes in trade liberalization. But political considerations--especially with an election coming up--may dictate concessions to powerful domestic interests, such as textile, coal and oil groups.

Under these circumstances, who gets to the White House "fustest with the mostest" may win the day. At least that's a prevalent view among foreigners.

>> Here's the way reaction abroad weighs up the pluses and minuses in the new reciprocal trade bill:

On the plus side, the principle of reciprocal trade concessions--the Cordell Hull program--is preserved. The President still has the tariff-making power, which is extended for three years to June 30, 1958.

Indeed, the President has new tariff-cutting powers. He may reduce tariff rates existing on Jan. 1, 1955, by 5 per cent in each of the three years starting June 30 next, in return for similar concessions by other countries. He may also bring higher tariff rates down to 50 per cent of the value of the import, but not more than one third of such a cut can be made in any one year.

At best, the foreigner can expect only minor tariff cuts from the U.S. under this program. The U.S. is to become no trading utopia for foreigners.

>> Foreign analysts place the new loopholes provided by the bill for the protection of domestic interests on the minus side of the ledger.

Loophole No. 1 is the stipulation that the President shall cut imports of any product that he finds is coming into the U.S. in such quantities as to threaten to impair the national security. Under a broad definition of "national security," import quotas might be used extensively. Hitherto, the U.S. has, despite protests, put quotas on farm-product imports. Foreigners now fear a broader use of quotas, if imported goods sell well in the U.S.

Loophole No. 2 is a change in the "escape clause" to make it easier for an industry to show injury from imports and, therefore, claim tariff relief. If this stands, the Tariff Commission must consider the impact of imports on any part of an industry's business. Sometimes previously it has been felt that imports didn't injure a producer if he showed over-all profits on all operations.

Uncertainties raised by these loopholes will bother any foreigner making, or hoping to make, large sales in the U.S. In some ways, these uncertainties are considered worse than high-tariff rates, which at least are known and listed.

Question raised abroad: Just how liberal are U.S. trade policies?

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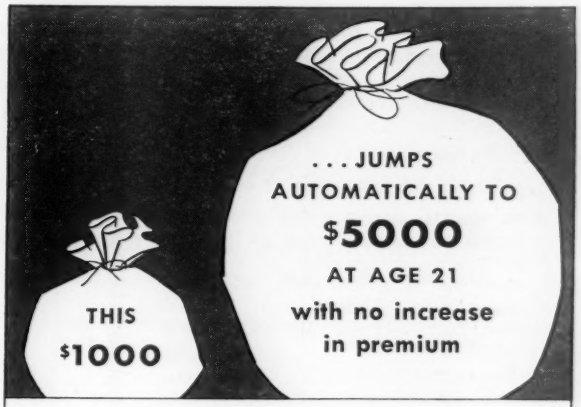

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Every $1000 of this life insurance that you buy for the child now will assure him of **$5000** worth at age 21 — with no increase in premium, and with no further proof of insurability.

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Consider that there are a number of occupations a young man might choose which would substantially increase the cost of his life insurance. Consider also the possibility of a youngster later developing a health impairment that could automatically make him uninsurable.

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Latest Indicators of Business Activity

Business recovery is continuing, broad and strong. It is being fed by a free-spending attitude on the part of business and the public.

Department-store sales averaged 119 on the indicator below in April, highest since the scare-buying waves in 1950 and early 1951, after start of the Korean war. Household goods, especially appliances, have been urgently in demand.

The steel industry scheduled operations at 96.5 per cent of capacity in the week ended May 7. At that rate, tonnage was the largest on record, 41 per cent above a year ago.

Auto plants, setting a new production record each week, turned out 187,060 passenger cars in the week ended April 30. Ward's Reports, Inc., estimates April production at 755,000 cars. That is 41 per cent above April, 1954.

Auto dealers report heavy sales of cars, both new and used. Inventory of cars, new and old combined, is at a record high. In relation to the current rate of sales, however, stocks are no larger than normal.

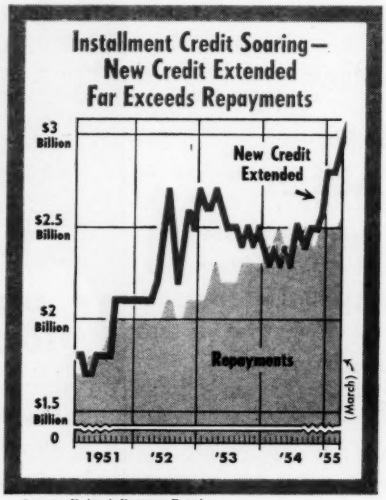
Electric-power output, seasonally adjusted, reached another record high in the week ended April 30 and was 16.6 per cent above a year ago.

Construction activity climbed to a rate of 41.6 billion dollars per year in April, a record 15 per cent above April, 1954. Residential construction, at 16.3 billion per year, was 32 per cent ahead of last year.

Carloadings of manufactured goods ran 10.8 per cent above a year ago in the week ended April 30, second widest margin of gain this year.

Business inventories stood at 77.9 billions on April 1, virtually unchanged for the second straight month.

Business sales increased to 51.2 billions in March and were 11 per cent above last October. Rapid flow of goods to final users tends to defeat efforts of business to build up stocks in many lines.



Source: Federal Reserve Board
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Personal incomes, before taxes, jumped to a rate of 294 billions per year in March, 2 billions above February and 9 billions above March, 1954.

Use of credit has expanded sharply.

New installment credit totaling more than 3 billions was extended in March, as the top chart shows. That was a new high, nearly a third above March, 1954. Auto credit was up 54 per cent; credit on other consumer goods was up 23. Credit extended was equal to 14 per cent of the March rate of personal income after taxes. That, too, was a record high.

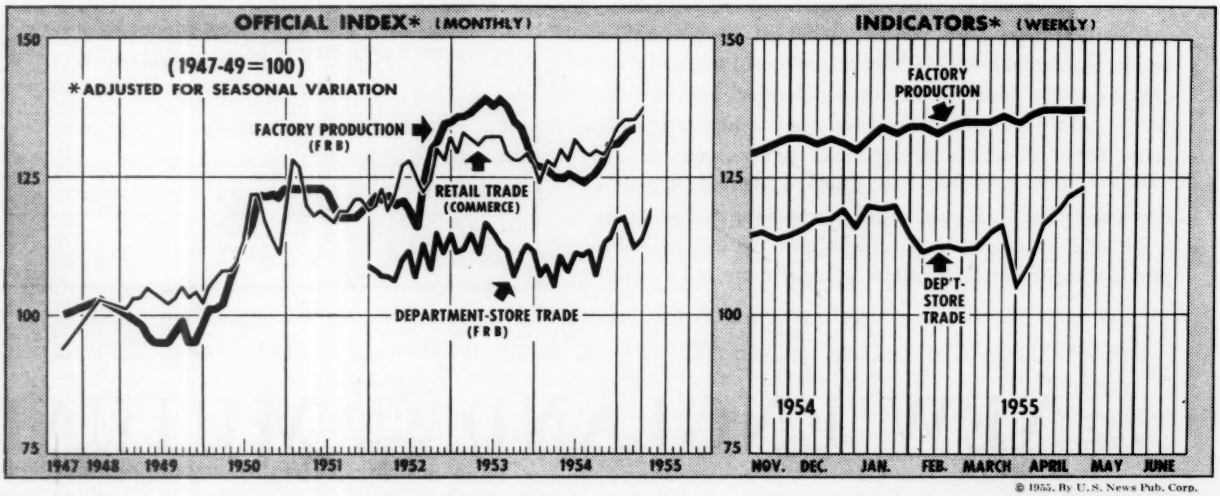
Repayments on installment loans rose to 2.6 billions, equal to 11.8 per cent of after-tax incomes. Only once before—in August, 1954—has the percentage been so large.

The average installment loan made by finance companies on purchase of new cars grew to $2,141 in March, up $264 in the last year, $823 since March, 1951. Auto buyers have acquired more expensive tastes, are buying luxury models with lots of accessories and power equipment. Besides this, there has been some rise in retail auto prices since 1951. Financing charges, including interest and insurance, are usually included in the loan, and these are larger now that payments are spread over 30 months or longer, instead of 24 a year ago and only 18 in 1951.

At department stores, credit sales have gained more than cash sales. Installment sales in March were 22 per cent above a year ago. Charge sales were up 11 per cent, cash only 6.

A new optimism is gripping both lenders and borrowers. Even during the 1953-54 recession, most jobs proved secure, incomes kept rising. There is a growing belief that easier credit terms are justified by the stability of the U. S. economy.

Business, meanwhile, is expanding capacity to meet a larger demand for goods. A new expansive force is shaping up to offset any temporary slowing of demand for autos and homes that may lie ahead.



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Senator Byrd Says:

FEDERAL DEBT NOW EQUALS EVERYTHING OF VALUE IN U.S.

A close look at just how high the national debt is now, taken with some alarm by Senator Harry Byrd, chairman of the Senate Finance Committee, shows this—

- **Debt of the Federal Government equals the value of all land, homes, factories, machinery, cars—everything of tangible value in U. S.**
- **Since 1933, interest on this debt has cost taxpayers 75 billions. Interest over the next 20 years will add 150 billions.**
- **In the past 15 years, U. S. has borrowed and spent a quarter of a trillion dollars more than it collected in taxes.**
- **Combined federal, State and local debt is 300 billions, five times the 1939 level.**

Following is the full text of an address by Senator Harry F. Byrd (Dem.), of Virginia, on May 4, 1955, at the annual meeting of the Chamber of Commerce of the United States in Washington, D.C.:

I am pleased to have this opportunity to speak on the subject: Is it important to balance the budget?

As I see it, balancing the budget without resorting to legerdemain or unsound bookkeeping methods is certainly in the category of our No. 1 problems.

Beginning with 1792, the first fiscal year of our Federal Government, and through 1916, federal deficits were casual and usually paid off in succeeding years. In this 124-year period there were 43 deficit years and 81 surplus years. As late as July 1, 1914, the interest-bearing debt was less than 1 billion dollars.

In Andrew Jackson's Administration the public debt was paid off *in toto*, an achievement in which President Jackson expressed great pride.

It can be said for this first 124 years in the life of our republic we were on a pay-as-you-go basis. In that period I think it can be accurately said that we laid the foundation for our strength today as the greatest nation in all the world.

Then in 1917, 1918 and 1919, World War I deficits aggregated 13 billion dollars. Heavy current taxation in those years paid much of the war cost.

The next 11 years, from 1919 to 1931, were surplus years, and the war debt was reduced.

In 1932 Mr. Roosevelt came into office, and the most outstanding plank in his platform was to reduce federal expenditures by 25 per cent and to keep the budget in balance. He accused Mr. Hoover of "throwing discretion to the winds and indulging in an orgy of waste and extravagance." Mr. Hoover spent 4 billion dollars in his last year, and the record shows that this spendthrift Hoover was the only President to leave office with fewer federal employes than when he came in.

Mr. Roosevelt added more than 200 billion dollars to the public debt during his Administrations.

I took my oath as a Senator the same day Mr. Roosevelt took his as President—March 4, 1933. The first bill I voted on was the legislation recommended by President Roosevelt to redeem his economy pledge by reducing all expenditures 15 per cent—a difference of 10 per cent less than his original promise, it is true—but I thought this was a substantial redemption of a campaign pledge, as such things go, and I enthusiastically supported him.

The title of the bill was: "A bill to preserve the credit of the United States Government." Our debt was then about 16 billion dollars. This economy program was short-lived—about six months—and the spending then began to steadily and rapidly increase.

Mr. Roosevelt presented 13 budgets, and in every peacetime budget he promised a balance between income and outgo for the next year, but it turned out that next year never came. He was in the red all the way, and in every year of his Administration a substantial deficit was added to the public debt.

There were eight Truman budgets. Three were in the black—those for fiscal years 1947, 1948 and 1951. Two resulted from war-contract cancellations following the end of World War II, and the third resulted from increased taxes for the Korean war before the war bills started coming due. Five Truman budgets were in the red.

Mr. Eisenhower has presented two budgets—both in the red but on a declining ratio. The Eisenhower deficit estimates for fiscal years 1955 and 1956 aggregate 7 billion dollars as compared to the last Truman budget which alone contemplated a 9-billion dollar deficit.

The cold facts are that for 21 years out of the last 24 we have spent more than we have collected. In these 24 years we have balanced the budget in only three; and these were more by accident than by design.

We must recognize that we have abandoned the sound fiscal policies strictly adhered to by all political parties and all Presidents for considerably more than a century of our existence. It is true that during these 21 deficit years we were engaged in World War II for four years and in the Korean war for two years. Yet in the years when the pay-as-you-go system prevailed we also had quite a few wars.

It is the quarter of a century of deficit spending which now makes balancing the budget so imperative. Young men and women born in 1930 have lived in the red virtually all their lives. Our acceptance of deficit spending for so long a period

. . . "No one can deny we are mortgaged to the hilt"

has weakened public resistance to the evils of this practice. Bad habits are hard to change.

Will the deficits become permanent and continue to pile debt upon debt until real disaster comes? If we cannot balance the budget in this day of our greatest dollar income, when taxes are near their peak and when we are at peace, I ask: When can we?

It is disturbing these days to hear some economists argue the budget should not be balanced and that we should not begin to pay on the debt because, they allege, it will adversely affect business conditions. Have we yielded so far to the blandishments of federal subsidies and Government support that we have forgotten our nation is great because of individual effort as contrasted to state paternalism?

Today the direct debt of the Federal Government is 280 billion dollars. Our debt is equivalent to the full value of all the land, all the buildings, all the mines, all the machinery, all the livestock—everything of tangible value in the United States.

I think no one can deny we are mortgaged to the hilt. If we add to this federal debt the debts of the States and localities, we have an amount in excess of 300 billion dollars in direct public obligations.

This is five times as much as the total public debts in 1939. While public debt has increased fivefold since 1939, the gross national product—the output of our factories, farms, etc.,—increased less than fourfold. When debt increases at a pace faster than the increase in the value of all goods and services, the currency is diluted, with consequent shrinkage in the purchasing power of the dollar.

But the direct debts I have mentioned are not all of our obligations. In addition, we have contingent liabilities totaling 250 billion dollars which the Federal Government has guaranteed, insured and otherwise assumed on a contingent basis. No one can predict to what extent this contingent liability will result in losses which must be paid by the Federal Government.

For example, 40 billion dollars of this contingent liability is in some 40 federal housing programs, and from recent disclosures of graft and windfall profits in the various public-housing programs, it is evident that a substantial percentage of these contingent liabilities eventually may become a draft on the Treasury.

In addition to the 280 billion dollars in direct federal debt, and the 250 billion dollars in contingent liabilities, we have on our hands a Social Security system guaranteed by the Federal Government, involving many millions of our citizens, which is no longer actuarially sound.

The ultimate cost of this system to the Treasury is still unestimated, but the fact remains that when the income from premiums imposed upon those who are covered in the system is no longer sufficient or available to pay the benefits, then regular tax revenue collected from those in and out of the system will be used to finance the deficiency.

"EVILS OF DEFICIT SPENDING"

Here are some of the evils of deficit spending:

The debt today is the debt incurred by this generation, but tomorrow it will be debt on our children and grandchildren, and it will be for them to pay, both the interest and the principal.

It is possible, and in fact probable, that before this astronomical debt is paid off, if it ever is, the interest charge will exceed the principal.

Protracted deficit spending means cheapening of the dollar. Secretary Humphrey testified before the Finance Committee that the greatest single factor in cheapening the American dollar has been deficit spending.

Since I have been in the Senate, interest alone on the federal debt has cost the taxpayer of this country more than 75 billion dollars. At present rates on the federal debt at its present level, interest on it in the next 20 years will cost taxpayers upwards of 150 billion dollars.

Since 1940 the Federal Government has borrowed and spent a quarter of a trillion dollars more than we have collected in taxes.

Year by year, nearly in direct ratio to deficit spending, the purchasing value of the dollar has declined. Beginning with a 100-cent dollar in 1940, the value of the dollar had declined to 52 cents in 1954.

As proof of the fact that deficit spending is directly responsible for cheapening the dollar, let me mention that in 1942, when we spent 19 billion dollars in excess of revenue, the dollar in that one year declined 10 cents in value.

In 1943, another big deficit year, the dollar lost 5 cents more in value, and another 9 cents in 1946. From 1940 through 1952, an era of heavy deficit spending, the dollar lost 48 cents in value, or nearly 4 cents each year, and it is still slipping, but in much lesser degree.

Some may regard these facts and figures lightly, but the loss of half the purchasing power of its money in 13 years should be a serious warning to any nation.

Cheapened money is inflation. Inflation is a dangerous game. It robs creditors, it steals pensions, wages and fixed income. Once started, it is exceedingly difficult to control. This inflation has been partially checked, but the value of the dollar dropped slightly again in the past year. It would not take much to start up this dangerous inflation again.

Public debt is not like private debt. If private debt is not paid off, it can be ended by liquidation, but if public debt is not paid off with taxes, liquidation takes the form of disastrous inflation or national repudiation. Either is destructive of our form of government.

—Harris & Ewing

SENATOR BYRD: "The money goes to Washington . . .

. . . "Federal grants to States total 3 billion dollars"

Today the interest on the federal debt takes more than 10 per cent of our total federal tax revenue. Without the tremendous cost of this debt, our annual tax bill could be reduced 10 per cent across the board.

The interest charge would be greater if much of the debt was not short-termed with lower interest rates. Should this debt be long-termed at the 3¼ per cent paid on recent 30-year bonds, the interest would be nearly 15 per cent of the federal income. No business enterprise could survive such heavy interest out of its gross income.

"POWER FOLLOWS THE PURSE"

Since 1934, federal grants to States have expanded enormously in both cost and functions. They slip in like mice and soon grow to the size of elephants. Every federal grant elevates the control of the Federal Government and subordinates the control and authority of the States.

Nothing is more true than the rule that power follows the purse. When the Federal Government makes a grant, it directs exactly the manner in which the funds are expended, even though the States partially contribute to the project. Time and time again I have seen the iron hand of the federal bureaucracy with grants compel the States to do things they did not want to do.

Growth in federal grants is indicated by the fact that in 1934, 21 years ago, the total of such grants was 126 million dollars covering 18 programs. Now federal grants total 3 billion dollars for 50 programs. This is an increase of 300 per cent in programs and 2,300 per cent in cost.

These are the figures to date. As to additional grants for the future, President Eisenhower, in his address on the state of the union, proposed to open up three Pandora's boxes of new federal "handouts" to the States.

The proposals by the President, if adopted by Congress, would be the greatest increase in grants to States yet undertaken and the longest step yet to federal paternalism.

Under the Administration's road proposal, a dummy corporation, without assets and without income, would issue bonds for 21 billion dollars and Washington would take control of 40,000 miles of the best roads in the 48 States.

By legerdemain this 21 billion dollars in federal-agency bonds would be declared as not federal debt and would be excluded from the debt limitation fixed by Congress.

The interest would be 11.5 billion dollars, or 55 per cent of the funds borrowed.

It was proposed to pay the principal of these bonds and the interest on them with permanent indefinite appropriations, which would remove the corporation from annual appropriation control by Congress.

The proposal would abolish the policy established in 1916—39 years ago—requiring States to match federal funds for roads.

The scheme was predicated upon pledging federally imposed gasoline taxes over a period of 30 years for the repayment of the bonds and the interest.

The Comptroller General of the United States, Mr. Joseph Campbell, recently appointed by President Eisenhower, said of this proposal:

> "We [the General Accounting Office] feel that the proposed method of financing is objectionable because . . . the borrowing would not be included in the public-debt obligations of the United States. . . . It is our opinion that the Government should not enter into financial arrangements which might have the effect of obscuring financial facts of the Government's debt position."

Comptroller General Campbell also questioned the legality of the proposal.

We all want good roads. The people are willing to pay for good roads, but it is certainly not necessary practically to destroy the fiscal bookkeeping of our country in order to finance our road system.

These bonds would, of course, be a general obligation of the Government. There is no banker in this audience who

—Fairchild Aerial Surveys, Inc.

. . . and the Federal Government tells us how to spend our own money"

. . . "Government has never made a bona fide profit"

would buy bonds of such a dummy federal corporation without the guarantee of the Federal Government.

Should the gasoline tax be dedicated 30 years in advance for the payment of bonds issued to build roads, then, by the same line of reasoning, other taxes could be dedicated for other specific purposes. If this were carried far enough, there would be no funds for the more unglamorous but essential functions.

The second of the three Administration State-aid proposals involved about 8 billion dollars in direct appropriations and contingent liabilities for payments, grants, loans and guarantees to States for school construction. The last bastion of States' rights and individual liberty lies in the education of our children.

Federal appropriations to public schools followed by the inevitable federal control will strike a fatal blow at the grass roots of our democracy.

I do not believe that there is a State or locality in the union that cannot provide for the cost of its public-school system if there is the will to do so.

It is impossible to estimate the cost of the President's third proposal. It was for a so-called federal health-payment program. It would be certain to cost millions of dollars annually and it could easily be the beginning of socialized medicine.

"NO SUCH THING AS A FEDERAL GRANT"

It is well for everyone to understand that there is no such thing as a federal grant. All of the money comes from citizens in the States. The money goes to Washington, and there it is subject to deductions for federal administration. This money then goes back to the States less deductions, and the Federal Government tells us how to spend our own money.

Proposals have been advocated changing our budgetary system. The Secretary of the Treasury has not approved these proposals, and I am certain he will not. But there are two budgetary proposals which recur with persistency, and I want to warn you of them.

First, there is the proposal for a "cash" budget. Those who advocate the "cash" budget are suggesting that the Government pay its routine bills with savings of the citizens who have entrusted protection of their old age and unemployment to the guardianship of the Federal Government. These trust funds were established from premiums paid by participants in Social Security, unemployment insurance, bank-deposit-insurance programs, etc. Not a cent of these funds belongs to the Government.

Second, some are advocating a "capital" budget, which means that so-called "capital" expenditures should not be considered as current expenditures in the budget.

Those who advocate the so-called "capital" budget must start out with the fallacious assumption that the Government is in business to make a profit on its citizens. To my knowledge, the Federal Government has never made a bona fide profit on any Government operation.

They must assume that debt contracted by a federal agency is not a debt of the Federal Government and a burden on all of the taxpayers.

I am an old-fashioned person who believes that a debt is a debt just as much in the atomic age as it was in the horse-and-buggy days.

A "capital" budget must assume that Government manufacturing plants, such as atomic-energy installations, are in commercial production for a profit, and that Government stockpiles are long-time investments for profit instead of precautions against emergencies when they would be completely expendable with no financial return.

Likewise, it must assume that the agriculture-surplus program is primarily a long-range investment deal instead of a prop for annual farm income to be used when needed on a year-by-year basis.

While the vastness and complexity of the Federal Government of the United States necessarily makes budgeting difficult, the so-called "conventional" budget currently in use offers the best approach to orderly financing with fullest disclosure.

What is needed for a better fiscal system is fuller disclosure of federal expenditures and responsibility for them—not less, as inevitably would be the case with so-called "cash" and "capital" budgets.

With full disclosure of the federal-expenditure situation, the American people then would have an opportunity to decide whether they wanted to recapture control and bring the rate of spending into balance with the rate of taxing and thus reduce the tremendous federal debt burden we are now bearing.

To recapture control we must first reduce unexpended balances in appropriations already made and rescind those which are nonessential. When we started this fiscal year, unexpended balances in appropriations already made totaled about 100 billion dollars, including 78 billion dollars in appropriations enacted in prior years and 20 billion dollars in authority to spend directly out of the public debt.

The situation is made even worse by the procedure under which Congress acts on appropriation bills. Not only has Congress lost control over the annual rate of expenditure, but once the President's budget is submitted in January, Congress never again sees it as a whole until after the appropriations are enacted. The first thing Congress does is to split the appropriation requests of the President into a dozen or more bills. Then it proceeds to consider them separately over a period of six months or more. In the consideration of these bills attention is given only to appropriations, and these may be spent over a period of years. An appropriation enacted in a year when revenue is high may actually be spent in a year when revenue is low. There is never an opportunity in Congress, in action on appropriation bills, to consider them in terms of annual expenditures in view of estimated revenue.

New Plan for Appropriations

To correct such an intolerable situation, along with 48 other Senators I have introduced legislation providing for a single appropriation bill which would set forth not only requested appropriations for the future but also unexpended balances available in prior appropriations. This resolution has three times passed the Senate but has not yet been acted on by the House.

It provides further that Congress write into the consolidated appropriation bill limitations on expenditures in the ensuing year from each appropriation. And beyond this it provides that, in determining the expenditure limitations, all proper consideration should be given the anticipated revenue, the cash position of the Treasury and the level of our federal debt.

By this process, the Congress and the public would have the means of knowing our fiscal position and the facilities would be provided for balancing the budget with reduction in taxes and debt.

Along with this, I have introduced legislation giving the

. . . "I would eliminate all foreign economic aid"

President the authority to veto items within appropriation bills, thus according him a double check on logrolling which most of the Governors in this country have used for years without abuse.

In short, I advocate one budget with full disclosure as to our expenditures, which fixes responsibility not only for the expenditures but also the administration of expenditure programs; I advocate a single appropriation bill in which Congress not only authorizes expenditures but controls them in a manner that can be considered in view of revenue. A budget is not a budget unless it has two sides: expenditure and income. And finally, I advocate an item veto for the President, who is elected to his office by all of the people.

With these provisions, I believe the budget can be balanced, the debt can be reduced and taxes can be lowered.

If, by budgetary and legislative procedure, we could recapture control of expenditures from the bureaucratic agencies, there are obvious places where they could be substantially reduced and eliminated without impairment of any essential function.

"Our Deficits Are Decreasing"

President Eisenhower has made a good start. The Truman budget for fiscal year 1953 totaled 74.3 billion dollars. Estimates of the Eisenhower budget currently under consideration total 62.4 billion dollars—a reduction of nearly 12 billion dollars. Our tax income is 60 billion dollars. Our deficits are decreasing, but we are not yet on a pay-as-you-go basis.

Most of the reduction has been in the military, and this is largely incident to the end of the Korean war.

The Secretary of the Treasury, Mr. Humphrey, for whom I have great admiration, and the able Budget Director, Mr. Hughes, are working diligently and making substantial progress toward sounder budgetary procedure and the elimination of waste in expenditures.

We are still practically at the peak of expenditures for domestic-civilian programs and proposals for more are coming forth in a steady stream.

In fact, expenditures for strictly domestic-civilian programs now total 24 billion dollars, and this is more than three times the total cost of these programs in 1940, when we started the World War II build-up.

Even this is not the whole story on domestic-civilian expenditures, because these figures do not reflect the liabilities of the tremendous loan-insurance and guarantee programs.

Nonessentials in these programs must be eliminated, and this clearly can be done, as Mr. Hoover and his two fine Commissions on Government Organization have demonstrated in nearly 500 recommendations to date—some of which have been adopted, while others still await action.

With the pressure for more and more government which seems to characterize our times, I am convinced that such constant examination of government as the Hoover Commission surveys has become a continuing necessity.

With budgetary disclosure and congressional control, under current circumstances and conditions, we should reject all new proposals for federal spending innovations.

In fact, the budget for fiscal year 1956, beginning next July 1, could be reduced 5 billion dollars by eliminating expenditures contemplated under new legislation and by eliminating increases in items under existing legislation. I would oppose all new proposals to invade the responsibilities of States, localities and individuals and start immediately to liquidate many of the programs already in existence.

Beyond this, I would eliminate as rapidly as possible all foreign economic aid, and I would get military expenditures quickly in hand through control of unexpended balances.

So far, we have spent nearly 40 billion for foreign economic assistance. And at this late date, after 10 years of postwar foreign aid, the President has proposed to increase foreign-aid expenditures in the coming year by nearly 10 per cent, and he has asked Congress for new foreign-aid appropriations in amounts nearly 25 per cent higher than were enacted during the past year.

We are still employing 562,158 civilians overseas. These people are employed all over the world, including 64 in Cambodia.

This foreign aid has got to stop sometime, and so far as I am concerned the time to stop so-called economic aid is past due.

No one favors a reduction of our present burdensome taxes more than I do. I sit on both sides of the table. As an individual, I pay substantial taxes on my business operations. As a member of the Senate Finance Committee, I have the opportunity to hear testimony of those who protest exorbitant taxation.

But, as anxious as I am as an individual for tax reduction, I am opposed patriotically to tax reduction which requires us to borrow and add to the public debt. It seems to me to be a certain road to financial suicide to continue to reduce taxes and then to borrow the money to make good this loss in revenue.

As things are now shaping up, there will be keen competition between the two political parties for tax reduction in the political year of 1956. If we reduce expenditures, this is all well and good, but, under political pressure, we should not yield to reducing taxes and still further unbalance the budget. Tax reduction should never be made a political football.

As chairman of the Senate Finance Committee, I opposed the $20 tax reduction to each individual as passed by the House of Representatives this year. This would have occasioned a loss of 2.3 billion dollars to the Treasury, all of which would be added to the debt. It would have given a tax relief of only about 7 cents a day to each taxpayer and would have removed 5 million taxpayers completely from the tax rolls.

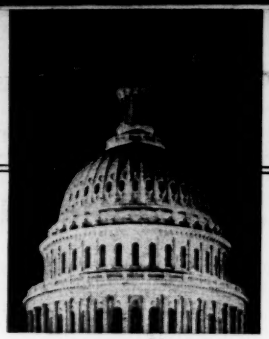
To Cut Taxes: Cut Spending

To borrow money to reduce taxes is not, in fact, a tax reduction. It is merely a postponement of the collection of taxes as, sooner or later, the taxes thus reduced will have to be paid with interest. There is only one sound way to reduce taxes and that is to reduce spending first.

At home we can get along without federal usurpation of individual, local and State responsibilities and we can get along without federal competition in business whether it be hotels, furs, rum, clothing, fertilizer or other things.

The Bible says: "If thine eye offend thee, pluck it out." I say, if the Federal Government should not engage in such activities, we should first stop new invasions and then gradually, if not abruptly, eliminate the old intrusions. When we do these things, we shall balance the budget for lower taxes and reduced debt. There will be no further need for trick budgets and debt-ceiling evasions and hiding taxes. The Government will be honest in itself, and honest with the people.

A balanced budget could be in sight if (a) we do not increase spending, and (b) we do not reduce taxes. Assuming no further cut in taxes, only a 4 per cent reduction in spending, in terms of the President's budget, would bring us to that highly desirable goal.



"ONE WORLD"?

BY DAVID LAWRENCE

THERE ARE TWO fundamentally different concepts involved in the frequent use of the term "one world." It is especially important to examine them as we prepare for the coming debate over possible revisions of the Charter of the United Nations.

Everybody wants one world of peace.

Everybody wants one world of free interchange of ideas and persons.

Everybody wants unity instead of disunity, and organization instead of disorganization.

But when it comes to imposing some form of discipline to attain these objectives, we encounter basic differences of opinion and varying viewpoints.

For the mere mention of discipline implies a restriction of freedom to act as one nation thinks best. The word "right," for example, means one thing under the Napoleonic Code, which still prevails in Latin-minded countries, and quite another in countries of Anglo-Saxon background, where the English common law is accepted as gospel.

A passion for uniformity manifests itself nevertheless now and then in all countries among small groups who instinctively believe it will open the road to peace. They err primarily because they do not recognize the simple fact of a lack of uniformity which God Himself has created. Thus, there are differences not merely of color and of language but of cultures and of traditions as sacrosanct to other peoples as ours are to us.

The problem is not how to amalgamate the world under one system of government or one culture or one religion or one code of legal ethics and rights. It is how to coordinate the external action of the peoples of the world while they retain their basic loyalties to historic concepts of national sovereignty.

There can be no valid objection, of course, to the process by which nations operating under their own constitutions give up certain claims to freedom of action outside their own domain, nor to treaties signed by several governments in which they undertake mutual obligations of common defense. For essentially the principle here is one of temporary federation or alliance to fulfill special objectives. This is not super-sovereignty.

What is to be questioned is the proposition that all countries should bind themselves together in a common citizenship and that they can then govern themselves better than as separate sovereignties. It seems not only impractical but unrealistic to think in terms of an international organization—with a legislative, executive and judicial setup—which in fact means a superstate to govern us all.

The trend in the world should be not toward more mergers of states but toward more decentralization. Who will deny that, if the vast Soviet Empire with the many nationalities residing there could be split up into seven or eight really independent republics, it would be better for those same peoples? And who will doubt that this very dissolution of the Soviet merger would be better for the peace of the world?

To set up a "one world" state is to invite rule by an oligarchy or by the dictatorship of a group with special interests to serve.

The United Nations Charter can provide for a significant experiment in the federation of governments without the discipline that a superstate would require. It is true that the United Nations has failed thus far to enforce peace, but this in itself proves that a superstate could not today win the approval of independent peoples. To make agreements, on the other hand, that set forth the measures of collective security to be authorized in emergencies by the nations which are members of the North Atlantic Treaty Organization or of the Organization of American States is a proper exercise of the right of individual nations to federate temporarily in the common interest.

But it will be noted that such treaties or agreements do not involve any structural change in the constitution of each member country. They are simply voyages in the uncertain seas of foreign affairs.

We can have a world of peace, not by the use of coercive measures that put further restrictions on the sovereignty of any country, particularly in its domestic concerns, but by developing the only kind of "one world" philosophy that has ever achieved anything heretofore. It is by the appeal to the dignity of man himself—to his intellect and his sense of morality—indeed to the God-given force that is called Conscience. Tolerance and unselfishness—like morality and generosity—cannot be successfully legislated.

Man cannot make progress toward self-restraint by discipline from without. It must come from within. Hence, to impose any rigid forms of international government would actually impede the process of voluntary change going on among peoples in different stages of evolution. By reason of newly stimulated passions and frictions, it could postpone rather than hasten the day when humanity might be living in "one world" of enduring peace.

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